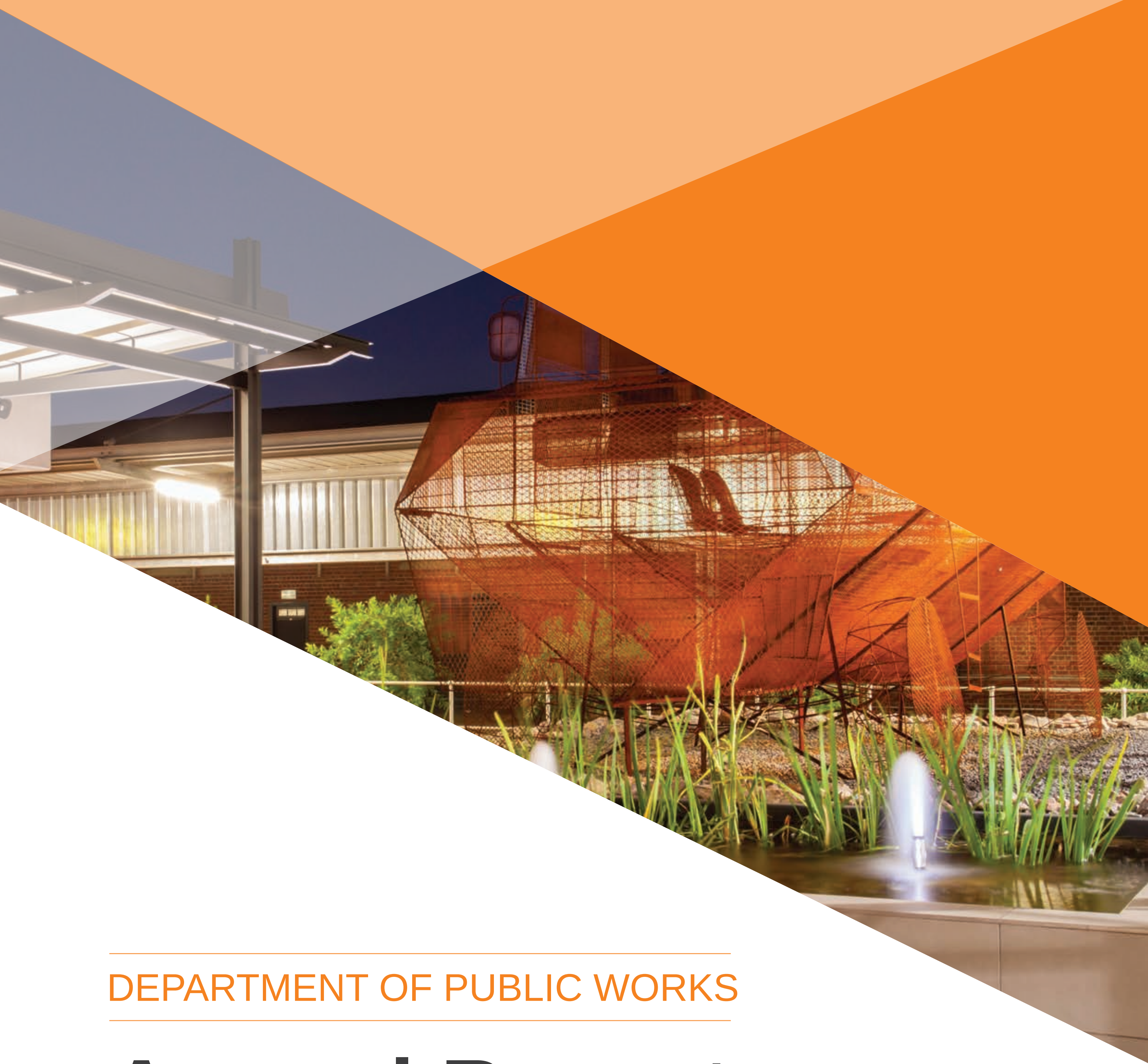

DEPARTMENT OF PUBLIC WORKS

Annual Report

2016/17

public works

Department:
Public Works
REPUBLIC OF SOUTH AFRICA

2016/17
Annual Report

Mr Nkosinathi Nhleko (MP)
Public Works Minister

I have the honour of submitting the Annual Report of the Department of Public Works for the period 1 April 2016 to 31 March 2017

Mr M Dlabantu
Director-General
29 September 2017

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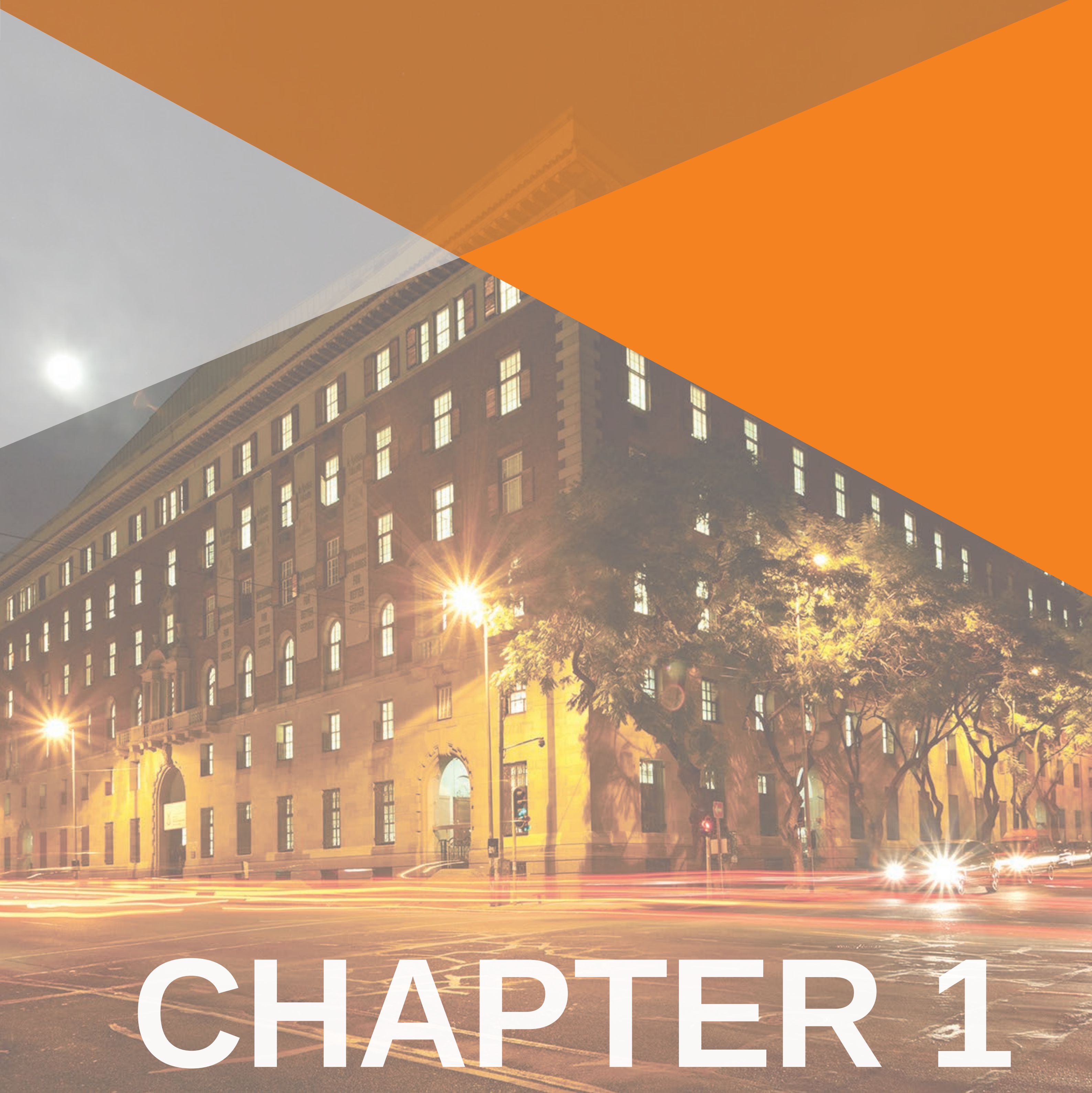
CHAPTER 3: Governance (continued)

List of abbreviations

Full description	Acronym
Auditor-General South Africa	AGSA
Agrément South Africa	ASA
Annual Performance Plan	APP
Accelerated Schools Infrastructure Delivery	ASID
Built Environment Professionals	BEP
Basic Accounting System	BAS
Broad-based Black Economic Empowerment	B-BBEE
Built Environment Profession	BEP
Built Environment Professional Council	BEPC
Custodian Asset Management Plan	CAMP
Council for Built Environment	CBE
Community-based organisation	CBO
Construction Education and Training Authority	CETA
Chief Financial Officer	CFO
Construction Industry Development Board	CIDB
Construction Quality Assessment System for General Building Works	CONQUAS SA
Customer National Operations Centre	CNOC
Customised Performance Indicator	CPI
Construction Register Services	CRS
Central Supplier Database	CSD
Community Works Programme	CWP
Department of Agriculture, Forestry and Fisheries	DAFF
Department of Cooperative Governance	DCoG
Department of Correctional Services	DCS
Deputy Director-General	DDG
Department of Home Affairs	DHA
Department of Higher Education and Training	DHET
Department of Human Settlements	DHS
Department of Defence	DOD
Department of Justice and Constitutional Development	DoJ&CD
Department of Labour	DOL
Department of Performance Monitoring and Evaluation	DPME
Department of Public Service and Administration	DPSA
Department of Public Works	DPW
Department of Rural Development and Land Reform	DRDLR
Division of Revenue Act	DORA
Estimates of National Expenditure	ENE
Expanded Public Works Programme	EPWP
Expanded Public Works Programme Reporting System	EPWP-RS
Enterprise Resource Planning	ERP
Executive Management Committee	EXCO
Full-time Equivalent	FTE

Full description	Acronym
Gross Domestic Product	GDP
Government Employees Medical Scheme	GEMS
GIAMA) Implementation Technical Committee	GITC
Generally Recognised Accounting Practice	GRAP
Geographical Information System	GIS
Government Immovable Asset Management Act	GIAMA
Home Owners' Allowance	HOA
Human Resources	HR
Heating, ventilation and air conditioning	HVAC
Immovable Asset Register	IAR
Information communication and technology	ICT
Integrated Development Plan	IDP
Infrastructure Delivery Management System	IDMS
International Monetary Fund	IMF
Independent Development Trust	IDT
Industrial Policy Action Plan	IPAP
Infrastructure Programme Implementation Plan	IPIP
Infrastructure Programme Management Plan	IPMP
Key Performance Area	KPA
Member of the Executive Committee	MEC
Municipal Finance Management Act	MFMA
Municipal Infrastructure Grant	MIG
Minister's and MEC's Forum	MinMEC
Municipal Infrastructural Support Agency	MISA
Memorandum of Agreement	MOA
Memorandum of Understanding	MOU
Management Practice Assessment Tool	MPAT
Medium-term Budget Policy Statement	MTBPS
Medium-term Expenditure Framework	MTEF
Medium-term Strategic Framework	MTSF
National Anti-Corruption Hotline	NACH
National and Provincial Planning, Monitoring and Evaluation Forum	NAPROV
National Bid Adjudication Committee	NBAC
National Council of Provinces	NCOP
National Development Plan	NDP
Non-governmental Organisations	NGOs
Non-profit Organisations	NPOs
National Contractor Development Programme	NCDP
National Intergovernmental Task Team	NIGTT
National Infrastructure Maintenance Strategy	NIMS
National Revenue Fund	NRF
Occupational-Specific Dispensation	OSD

Full description	Acronym
Occupational Health and Safety	OHS
Provincial Offices and Contractor Development	PCD
Provincial Construction Development Forum	PCDF
Procurement and Delivery Management	PDM
Public Employment Programme	PEP
Public Finance Management Act	PFMA
Planned Maintenance Implementation Programme	PMIP
Project Management Office	PMO
Public Service Coordinating Bargaining Council	PSCBC
Property Incubator Programme	PIP
Property Management Information System	PMIS
Property Management Trading Entity	PMTE
Public Service Commission	PSC
Register of Contractors	RoC
Register of Projects	RoP
Risk Management Committee	RMC
South African Local Government Association	SALGA
South African National Accreditation System	SANAS
South African National Defence Force	SANDF
South African Property Owners' Association	SAPOA
South African Police Service	SAPS
South African Social Security Agency	SASSA
Supply Chain Management	SCM
Standing Committee on Public Accounts	SCOPA
Spatial Development Framework	SDF
Spatial Development Infrastructure Framework	SDIF
Service Delivery Model	SDM
Service Delivery Improvement Programme	SDIP
Spatial And Economic Development Framework	SEDF
Science, engineering and technology	SET
Sector Education and Training Authority	SETA
Standards for Infrastructure Procurement and Delivery Management	SIPDM
Special Investigating Unit	SIU
Small and Medium Enterprise	SME
Small, Medium and Micro Enterprise	SMME
Senior Management Services	SMS
State of the Nation Address	SONA
Standards of Practice	SOP
Sexually Transmitted Infection	STI
User Asset Management Plan	UAMP
University of Cape Town	UCT
University of the Witwatersrand	Wits
Workplace Skills Plan	WSP



CHAPTER 1

GENERAL INFORMATION

1.1 FOREWORD BY THE MINISTER

The 2016/17 financial year marked a difficult and challenging period in our country, in which we were faced with low economic growth. This put a strain on employment creation.

Mr Nkosinathi Nhleko (MP)
Minister of Public Works

While there are clear policy directives as a country aligned to the National Development Plan (NDP), the recent political changes during the financial year called for a tightening of policy and delivery mechanisms to meet the long-term objectives of government. These political and socio-economic changes had an impact on how we do business, which affected the speed at which infrastructure projects were delivered across the country. Such external factors meant that we had to find ways to weather the economic storms and maximise delivery with limited resources. The focus therefore turned to strengthening the internal controls as part of Phase 2 of the Turnaround Plan – efficiency enhancement. This phase is mainly driven by improvements in internal control, management practices and systems. The seven-year Turnaround Plan is anchored in stabilisation, efficiency enhancement, growth and sustainability. The 2016/17 financial year marks the end of the fifth year of the seven-year plan. The next two financial years will be crucial for the sustainability and growth of public works.

The Department of Public Works (DPW) is guided by its mandate, with a focus on the provision of strategic leadership to the South African construction and property industries, the management of state-owned and leased-in immovable assets, and contributing to the national goals of job creation and poverty alleviation through public works programmes. Working together with other national and provincial departments, we had a responsibility to support an efficient, effective, service-oriented public service and an empowered, fair and inclusive citizenship.

To redress the racial spatial imbalances and integrate government infrastructure planning to create efficiencies, balance the leased portfolio, save costs and ensure more accessible services to the public, various accommodation solutions within identified government precincts were developed in collaboration with municipalities and sector departments.

The Department is expected to increase state-led infrastructure investment in order to massively improve the socio-economic infrastructure within the country, with an emphasis on the use of local content and local companies. Furthermore, the Department also needs to consider strategies to support the industrial policy through labour-intensive absorption initiatives and maintenance, and the construction of critical government assets.

In addition, the Department developed, together with client departments, user needs and demands for accommodation. This approach formed the basis of improved and informed planning in the provision of efficient and effective accommodation to government departments.

I am pleased to present the progress of the Department and its achievements for the period under review.

In terms of infrastructure projects, the Department completed a number of infrastructure projects in the year under review. All of these projects were completed in various provinces throughout the country and had a profound effect on accessibility and service delivery to the South African public. We saw an increase in the number of police stations and magistrates' courts in areas that had never been serviced before. The upgrading of border posts spread across the provinces adjoining other countries ensured much better control and improved service. The importance of the Department taking a lead in infrastructure projects is crucial in developing a sustainable economy and state infrastructure that will progressively improve the quality of life of all South Africans.

Efforts in addressing backlogs in lease accommodation proved fruitful. Strategies have been put in place to improve the provisioning of accommodation to other government departments. While it is acknowledged that some of the state buildings are not in a suitable condition, efforts are underway to address these matters, such as the development of a sustained financial model. In addition, discussions on the transformation of the property sector have ensued. This will be done in line with the revised Preferential Procurement Regulations.

The Department contributes to government's Operation Phakisa Project through the development of small habours and coastline areas. This programme, while attracting investment for further development, continues to administer and provide facilities management services to all proclaimed and non-proclaimed small harbours. This function includes the management of state-owned coastal properties, including the admiralty reserves along the South African coastline. We are already starting to see the fruits of some of our initiatives in the Operation Phakisa Project through the Small Harbours and Coastal Properties programme. These initiatives have contributed to addressing poverty and creating employment in rural communities, together with the intergovernmental partners.

On policy and regulation, the Department embarked on the review of the 1997 and 1999 Public Works White Paper with the aim of addressing infrastructure backlogs, improving service delivery, creating employment and eradicating poverty. The completion of this process will provide clarity on the Department's role in oversight and performance management in the public works sector, with specific reference to the mandate and functions of the national DPW, as well as the provincial departments, and the concurrent nature of the public works function (as reflected in Schedule 4, Part A of the Constitution, 1996).

While a lot of work still needs to be done, I must also reflect on the good achievements in the past financial years for the main vote. This is a strong expression of improvements in internal financial controls and performance. Additionally, such an opinion helps improve future planning for the Department. Lastly, while the main vote has improved significantly, emphasis will be placed on the financial controls of the Property Management Trading Entity (PMTE) in the next financial year.

On governance, oversight and intergovernmental relations and coordination, it is sufficient to note significant improvements in the Public Works sector on interrelated and interconnected functional areas.

Going forward, I have highlighted matters that need to be addressed. My strategic action plan for 2017 to 2018 will enhance the existing Turnaround Plan towards growth and sustainability. The following will be critical towards that goal:

- Review the operating model of the PMTE.
- Finalise the filling of all critical executive management positions and remove all positions additional to the establishment, and address any irregularities pertaining to secondments and contract positions.
- Finalise the change management process in the Department to ensure stability and continuity.
- Finalise the establishment of the Programme Management Office and ensure that it is fully capacitated.
- Finalise all outstanding business processes and operating procedures.
- Launch and implement the Professional Services functions to build and create the capacity of the state to deliver and de-tenderise the state.
- Conduct an analysis of legal cases and utilise alternative dispute resolution mechanisms to resolve the cases.
- Categorise cases in terms of individual, small, micro and large enterprises to detect their effect on the growth of small and micro enterprises.
- Monitor the implementation of the Auditor-General's recommendations.
- Develop the Communications and Marketing Strategy.
- Rebrand the image of the Department and its entities.

My task going forward will be to monitor progress on this action plan and measure its performance with our contributions to government's broader objectives and outcomes in line with the NDP.

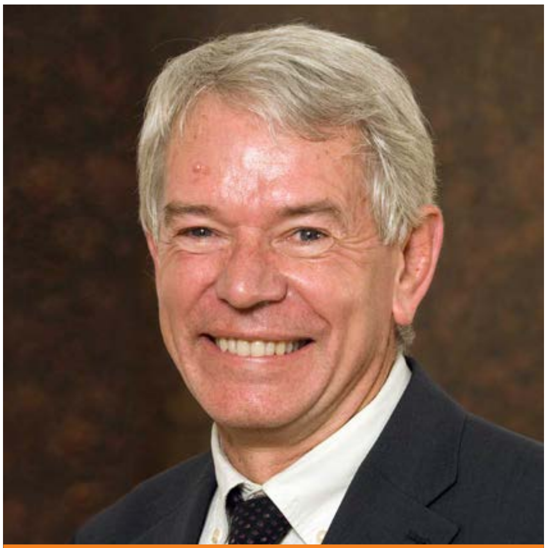
I have full confidence that the Department will do well in the next financial year, given the stable foundation laid in performing its tasks.

Minister of Public Works

Mr Nkosinathi Nhleko (MP)

1.2 STATEMENT BY THE DEPUTY MINISTER

The Department has continued to make steady advances over the past financial year across the different areas of its mandate. These advances are an integral part of a wider process underway since 2012 in terms of the Department's Turnaround Strategy.



Mr Jeremy Cronin
Deputy Minister of Public Works

Five years ago, the Department was at the centre of several public controversies, there was a high degree of leadership instability, and there were successive audit disclaimers. Initially, the Turnaround Strategy focused on restoring basic stability, while dealing vigorously with wrongdoing. At the same time, a major organisational review and renewal process was undertaken. This involved, among other things, reviewing the relationship between the Department's Head Office and its 11 regional offices in order to achieve an appropriate balance between practical devolution and effective checks and balances.

At the heart of the organisational renewal process has been the establishment of a ring-fenced trading entity, namely the PMTE, directly answerable to the Minister through the Director-General. While there remain shared services across the Department and the PMTE, the bulk of the former Department's staff are now located within the various branches of the PMTE. The objective of the PMTE is to provide the Department with a more professional and clearly focused capacity in what is, after all, our core public service function – the management of government's extensive property portfolio.

These restructuring processes have finally enabled us to have a completed Immovable Asset Register (IAR), a critical requirement for any effective property management entity. Challenges in consolidating a reliable IAR were, in part, related to the appropriate vesting of custodianship with different public authorities, bearing in mind the complex constitutional changes that have taken place in post-apartheid South Africa, with four provinces becoming nine, and the abolition of supposedly independent Bantustans.

At the beginning of the current financial year (1 April 2017), the Department's immovable asset portfolio consisted of 29 322 land parcels with 93 943 buildings, making it the largest property management portfolio in the country.

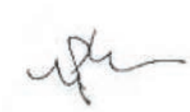
Naturally, the state of repair of much of our property portfolio is uneven, and our current focus is on greatly improving efficiencies, enhancing collaborative work with the various client public departments, and establishing clear priorities. Important strategic considerations as we manage our property portfolio going forward include a strong emphasis on green buildings, ensuring that our buildings are increasingly energy and water efficient, as well as better spatial planning so that we begin to more effectively consolidate user-friendly public precincts in our towns and cities.

The Department continues to be the lead coordinating department for government's flagship Expanded Public Works Programme (EPWP).

The EPWP, which has now achieved nearly three million work opportunities in the current administration, is a globally innovative network of public employment programmes, involving four major sectors (infrastructure, social, environment and culture, and the non-state sector). In the last-mentioned sector, government funds non-profit organisations as the direct implementing agents of public employment programmes, including the locality-based Community Work Programme (CWP). The Department is also the conduit for various public employment incentive grants in which all provinces and every municipality in South Africa are participating. Apart from an overall coordinating and policy development role, the Department is the lead department for the EPWP infrastructure sector.

Given the persisting, crisis levels of unemployment in our country, the NDP correctly envisages the EPWP as a sustained, decades-long programme that requires expansion, with a target of six million work opportunities for the current (2014–2019) administration. Over the past year, the EPWP has focused on several issues. Given the hundreds of public bodies implementing EPWP projects, effective reporting has been a challenge, and the Auditor-General has raised a number of issues. A second issue that we have increasingly sought to record and highlight over the past year is the very real contribution these programmes can (and usually do) make to the economy by way of assets created and services provided to poor communities. A third issue on which the EPWP branch has focused over the past year is the question of the recruitment of participants. Clear guidelines have been developed with the intention of assisting project implementers to guard against the dangers of clientelism and patronage in the selection of participants in the programmes.

The Department has a key responsibility for regulating the built environment professions and the construction sector. The former occurs through the Council for the Built Environment (CBE) and six profession-specific councils, while the latter is through the Construction Industry Development Board (CIDB). Given the historically skewed racial (and gendered) nature of our professions, and the high levels of corporate concentration in South Africa, much of the transformational focus for these public bodies needs to be on achieving greater levels of representivity and participation in the built environment and construction sectors. Progress has been made, but not with the requisite speed and qualitative depth. We are now in a different chapter of the Turnaround Strategy. All of the stabilising groundwork is in place. We are now in a space in which we can focus less on emergency fire-fighting and much more on greatly improving both our efficiencies and our transformative effectiveness. Of course, this does not mean that we can become complacent, still less relax our vigilance.



Deputy Minister of Public Works

Mr Jeremy Cronin

1.3 REPORT BY THE ACCOUNTING OFFICER

Mr Mziwonke Dlabantu
Accounting Officer

1.3.1 Overview

In January 2016, the International Monetary Fund (IMF) lowered its 2016 projection for global economic growth from 3.6% to 3.4% following growth of 3.1% in 2015. Although this was projected to be slightly higher than the previous year, growth still remains low. Against this projected growth, developed economies (which are generally more insulated from the negative effects of commodity price shocks) continue to expand at a moderate pace, but progress is uneven. On the domestic front, South Africa's gross domestic product (GDP) growth forecast for 2016 was revised down to 0.9% from an estimated 1.7% at the time of the Medium-term Budget Policy Statement (MTBPS). The weaker outlook was the result of lower commodity prices, higher borrowing costs, diminished business and consumer confidence, and drought. South Africa's economy is quite diverse, challenged with low economic growth (contracted to 0.3% in the three months to December 2016), high unemployment (almost 27%), inflation at 6.1% (outside its target band of 3% to 6%), inequality and high levels of poverty.

These economic variables have had implications on the delivery of services by the Department. Low growth constrained the fiscus, putting pressure on budget commitments and the delivery of services. Inflation clawed the nominal budget amounts committed in the various programmes, thereby reducing the real amounts for services. The Department's budget for the 2016/17 period was R6.5 billion, and at the end of the financial year under review, the expenditure was R6.4 billion. This translates into spending of 98.3% of the total budget. For the period of 2016/17, the Department focused on policy support and coordination among the three spheres of government through intergovernmental arrangements, the EPWP and through the PMTE, focused on real estate management and construction project management. The achievements of these programmes are detailed in the next section, informed by the theme set during the strategic planning session for the period under review: "Planning for successful outcomes".

1.3.2 Significant events and major projects

The socio-economic environment highlighted above presents the context in which the performance of the Department is to be understood in the period under review. The programme structure of the Department remained consistent as reported in the previous financial year, where the main vote focused mainly on policy and regulatory functions, intergovernmental coordination (concurrent mandate) and the coordination of public employment programmes in meeting strategic and government priorities. The PMTE represents the delivery arm of the core business of the Department, with emphasis on property management, construction and facilities management.

The significant and major achievements of the Department are presented in thematic form and discussed below.

- Policy and regulation
- Management practices, systems and internal controls
- Intergovernmental coordination and concurrent mandate
- Coordination of public employment programmes
- Property management
- Construction project management
- Facilities management
- Human Resources Plan and the capacity-building programmes

Policy and regulation

The public works sector is strategic in the realisation of government's development agenda, in particular with respect to the following policy priorities; addressing infrastructure backlogs, improved service delivery, employment creation and poverty eradication. This calls for a responsive and enabling policy framework, hence the need to review the over-arching 1997 and 1999 Public Works White Papers. The scope and complexity of reviewing the two White Papers necessitates complementing the existing internal competencies with external capacity.

The Department has established a White Paper Task Team to oversee the Public Works White Paper project. The task team has adopted a comprehensive framework to affirm the scope of the White Paper process and to define essential linkages to facilitate participation by all stakeholders. The following thematic areas have been identified as fundamental to the White Paper process:

- Construction design and project management
- Immovable asset management
- Property management
- Facilities (maintenance) management
- Public employment and skills development programmes
- Transformation of the construction and property industries
- Regulatory environment of the construction and property sectors
- Capacity-building in the built environment and professionalisation of the public works sector
- Role and functions of the Department's public entities
- Clarification of the Department's role in oversight and performance management in the public works sector, with specific reference to the mandate and functions of the Department and the provincial departments of Public Works; and the concurrent nature of the public works function (as reflected in Schedule 4, Part A of the Constitution, 1996).

Experts in the aforementioned fields have been identified, and the process is underway to insource the essential capacity through secondment. The Department is on target to finalise the new Public Works White Paper during 2018/19 financial year.

Draft Council for the Built Environment Amendment Bill

The Department has identified a number of challenges and shortcomings in the current regulatory scheme of the built environment, namely slow transformation of the built environment profession sector, and specifically, increasing the number of registrations of built environment professionals. As such, the Department developed a concept paper during 2016/17 to guide the review of the Built Environment Professions Policy towards the amendment of the Council for the Built Environment Act, 2000 (Act No. 43 of 2000), and the six Professions Councils' Acts. Considering that the Department has an existing Built Environment Professions Policy, as well as a concept paper, it would be futile to review the policy, hence the decision to review the legislation.

Extensive engagements with key stakeholders and subject matter experts will be undertaken during 2017/18 financial year. The draft Bill is expected to be gazetted for public comment during 2018/19 financial year.

Draft Amendment Construction Industry Development Board (CIDB) Amendment Bill

The Construction Industry Development Board Act, 2000 (Act No. 38 of 2000) is set for review in order to reaffirm the CIDB's relevance and effectiveness, as well as to enhance the legislation in order to ensure that the construction sector is well regulated. Extensive engagements with key stakeholders and subject matter experts have been conducted as part of developing an informed and evidenced-based Draft CIDB Amendment Bill. It is envisaged that the draft Bill will also be ready to be gazetted for broader public consultation during 2018/19.

Management practices, systems and internal controls

The Department has acquired an enterprise resource planning (ERP) system (Archibus) with an integrated end-to-end asset management capability in order to fully manage the property portfolio throughout the asset life cycle. This capability includes inter alia the asset register, lease management and capital budgeting. Archibus incorporates different modules and applications to accomplish consolidated workflows with other systems, including the accounting system (SAGE), geographic information systems (GIS), mobile applications and the data analytic system (SAS).

This solution address functional built environment management and transaction capabilities, where the GIS and mobile applications will allow for real-time data collection, conditional assessments and visual representation of the data across all divisions within the Department. Suppliers will have the ability to upload invoices digitally, real estate portfolios will be managed digitally and customer user requirements will be processed online. This includes the establishment of a Customer National Operations Centre (CNOC) to proactively manage immoveable assets leading to automatic reconciliations of billing, chargebacks to customers, as well as new validation and verification processes.

The ERP Worx4U system further enables performance management at all levels of the PMTE, using proactive dashboards and decision support systems through the complementary implementation of business analytics and data mining using SAS, which will ultimately allow for the real-time management of assets and activities. The asset register is still maintained and updated manually. The leasing-in module and payments modules are ready for implementation and will go live by the mid-2017/18. The other modules will follow suit.

Management Practice Assessment Tool (MPAT)

The Management Practice Assessment Tool (MPAT) is a tool that benchmarks good management practice. MPAT assesses the quality of management practices across a comprehensive range of management areas. In each management area, performance is assessed against the management standards established by the relevant regulatory departments, the National Treasury for financial management and the Department of Public Service and Administration (DPSA) for human resource management and development. The Department has improved it performance on MPAT since its inception in 2012. To successfully track the performance of MPAT over time, the Department created an MPAT index, where each KPA is allocated weights. The minimum score is 1 and the maximum score is 4. The MPAT index is calculated based on the final scores of the MPAT released by the Department of Planning, Monitoring and Evaluation (DPME). Figure 1.1 shows the performance of the Department according to this index since 2012.

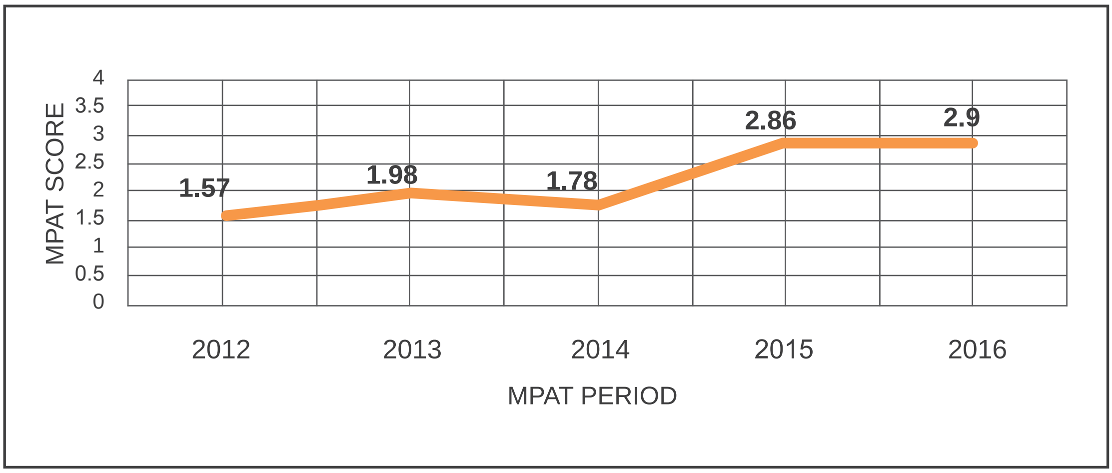


Figure 1.1: MPAT index (2012–2016)

The 2012 MPAT index is 1.57, meaning that the Department performed in the fair category of compliance level. The index improved slightly in 2013 from 1.57 to 1.98. However, the category of the compliance level remained unchanged. The index dropped slightly in 2014 (1.78), but picked up in 2015 (2.86) and 2016 (2.9). Overall, the Department's level of compliance has improved over time. The improvement in MPAT scores is a reflection of the improved efficiencies within the Department in line with the second phase of the turnaround strategy.

Intergovernmental coordination and concurrent mandate

South Africa has an intergovernmental system that is based on the principle of cooperation between the three spheres of government: local, provincial and national. While responsibility for certain functions is allocated to a specific sphere, many other functions are shared among the three spheres. The intergovernmental coordination in the Department is underpinned, inter alia, by the following key elements and principles:

- Accountability: Where national government may intervene in provincial and local government matters, depending on whether the relevant sphere fails to carry out an executive obligation.
- Transparency and good governance: While political executives are responsible for policy and outcomes, the accounting officers are responsible for implementation and outputs.
- Broadened access to services: The Constitution and current government policy prioritises broadening access to services. The responsible spheres are expected to design appropriate levels of service to meet customer needs in an affordable manner, explore innovative and efficient modes of delivery, and leverage public and private resources to fund infrastructure.

Municipal debt

The Department spearheaded a project to verify debt owed to municipalities by government departments both nationally and provincially to ensure settlement by departments. The project focused on verifying debt reported in terms of Section 71 of the Municipal Finance Management Act, 2003 (MFMA) (Act No. 56 of 2003). 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 only 5.4% (R5.2 billion) of the total debt. The balance of 94.6% (R90.8 billion) is owed to municipalities by the private sector and households.

A National Intergovernmental Task Team (NIGTT) on Debt, comprising the Office of the Presidency, the DPW, the provincial departments of Public Works, the Department of Rural Development and Land Reform (DRDLR), the Department of Cooperative Governance (DCoG), National Treasury 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, R4 billion of the reported R5.2 billion debt was verified for all the government departments. Of this R4 billion, an amount of R3.8 billion was confirmed and signed off by the different municipalities as valid.

Table 1.1: Payments made by the Department (property rates and municipal services)

National debt per custodian		Property rates		Municipal services		Total payments R'000
		2015/16 R'000	2016/17 R'000	2015/16 R'000	2016/17 R'000	
Department of Public Works	685 069	249 129	120 607	16 244	29 584	415 564
Department of Defence	73 040	50 308	21 451	11 093	1 842	84 694
Department of Rural Development and Land Reform	308 490	5 603	888	28	–	6 519
State Security Agency	(1 929)	–	–	–	–	–
Department of Water and Sanitation	89 683	7 453	20 4914	–	–	27 944
Department of Agriculture, Forestry and Fisheries	9 953	2 197	1 436	–	3	3 636
Total debt for national custodians	**1 164 307**	**314 690**	**164 873**	**27 365**	**31 429**	**538 357**

The Department's obligation with regard to the above is a net amount of R685 million. When other custodian departments are added (as the DPW was responsible for payments on some of their properties in the past, the Department's obligation is R1.164 billion. During the 2016/17 financial year, an amount of R196 million was paid towards this historical municipal debt. The total paid to date (in 2015/16 and 2016/17) towards this historical debt is R538 million, which represents 79% of the Department's debt, and 46% for the Department and other custodians (see Table 1.1 above).

Oversight and concurrent mandate support

The oversight function of the Department continues to be an important tool for accountability purposes. This function is done through a number of forums, such as the Minister and Member of the Executive Committee (MEC) Forum (MinMEC), chaired by the Minister, the Government Immovable Asset Management Act (GIAMA) Implementation Technical Committee (GITC), the Chief Financial Officers (CFOs) Forum, the Asset Register Management and the IDMS and National and Provincial Planning, Monitoring and Evaluation (NAPROV) Forum. Through these intergovernmental structures, various decisions were taken that affect the sector to ensure alignment to policy and the strategic intent of the sector, guided by an approved policy framework on the oversight function.

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 2016, where customised performance indicators (CPIs) in interrelated and interdependent programme areas were developed. These areas include property and construction management, the asset register, facilities management and job creation. This further saw the development of the integrated Programme of Action for the sector. Performance through these interventions is monitored on a quarterly basis. The importance of performance information in the sector assists in determining the impact of the sector in terms of property management, facilities management and the creation of work opportunities in various segments of the economy.

Coordination of public employment programmes

The total work opportunities created for the 2016/17 financial year is 779 251. Of this number, national departments contributed 287 219 (36.85%), provincial departments 317 628 (40.76%) and municipalities collectively contributed 174 404 work opportunities (22.38%) towards the annual performance of the programme.[1]

The programme reported the following achievements: 45.35% achievement for the youth against a set target of 55%; 66.42% was achieved for women against the set target of 55%; and to people with disabilities was 1.66% against a set target of 2%.

The EPWP cuts across a number of sectors and areas. Therefore, successful realisation of the objectives of the EPWP objectives will be achieved through partnenerships. The Department and the International Labour Organisation (ILO) partnered to capacitate EPWP officials on an international programme known as “Start and Improve Your Business”. This training programme focused on imparting skills to generate business ideas and start-ups, and to improve small businesses. Through this partnership, 27 EPWP officials were certified to provide training to participants on the programme.

These efforts are aimed at ensuring that EPWP participants were able to improve livelihoods beyond the EPWP. Furthermore, 316 small businesses and cooperatives were trained across the various EPWP sectors. Small businesses formed by EPWP participants were often provided with development support through engagements with various key stakeholders, such as the Department of Small Business Development (DSBD), the National Youth Development Agency (NYDA), the National Empowerment Fund (NEF), the National Development Agency (NDA) and the Small Enterprise Development Agency (SEDA).

The environment and culture sector, within the context of intergovernmental relations, partnered with the Buffalo City Metropolitan Municipality to pilot a coastal safety and protection project in the metro as part of the Operation Phakisa – Marine Protection Services’ job-creation aspect. An initial funding support of R2.4 million was set aside for the payment of wages, Unemployment Insurance Fund (UIF) and to purchase protective clothing for 46 EPWP workers in various coastal protection projects in the metro.

Another partnership was with the Department of Communications on the Digital Migration Programme. As part of the collaboration, 2 780 youth will be trained as Set Top Box installers so as to assist in the Digital Migration Programme. The work opportunities created contributed to the overall EPWP.

A Memorandum of Agreement (MoA) was concluded with the Financial Services Board (FSB) in the year under review in which EPWP participants across Gauteng, Limpopo, Mpumalanga and North West were trained on consumer education. This partnership is seen as critical to provide financial education to participants in the EPWP in order to ensure socio-economic sustainability and mitigate the risk of EPWP participants being financially exploited. Through this partnership, 4 026 EPWP participants were trained on the programme. To date, only five provinces have been trained. Engagements are under way to ensure that the partnership is extended to the remaining provinces.

[1] This information was not audited as it did not appear in the Annual Performance Plan.

Training in four EPWP sectors, such as the infrastructure, social, non-state, and environment and culture sectors has been part of the EPWP since its inception. It is implemented in all nine provinces and across all three spheres of government. The EPWP endeavours to provide accredited training to its beneficiaries in the form of short courses, skills programmes, learnerships and artisan development programmes. In the 2016/17 financial year, 3 265 EPWP participants were trained on skills programmes. EPWP participants were trained on more than 31 courses, which included mixed farming systems, environmental practice, horticulture, construction road works, child and youth care support, library practice, the provision of palliative care and community house building. The training programme has also provided artisan training opportunities that are aligned to the scarce skills within the economy. Examples of the trades that participants were trained on included those of auto electricians, automotive body repairers, boilermakers, diesel mechanics, motor mechanics, fitters, and turners and electricians.

In 2016/17, 22 artisans passed their trade tests (six electricians, one diesel mechanic, one auto-electrician and 14 boilermakers). In addition, over 6 000 youth were recruited by the national and provincial DPW to participate in the NYS programme. The youth were trained in artisan trades in the built environment for a period of one year. The training of the youth on the NYS programme contributes towards the skills development of the youth. The Department signed an MoU with the NYDA to provide opportunities for the training of 100 youth as artisans in partnership with the Services Sector Education Training Authority (SSETA).

It is worth noting that some of the challenges facing the programme include the non-reporting of work opportunities created through own funding (Municipal Infrastructure Grant (MIG)) by public bodies. This may reflect a situation where municipalities have not incorporated the EPWP principles during their planning and budget processes. Poor reporting by key programmes, such as the Community Works Programme (CWP) and the infrastructure programmes at municipal level, contributed to such low figures. Critical to this programme is record keeping. Poor record keeping by public bodies leads to an inability to comply with reporting requirements. There were also delays by reporting bodies to capture the data on the EPWP reporting system (EPWP-RS) before the end of the quarter. This may have been due to lack of capacity to collect all the required documentation for reporting. As a result, some of the projects were excluded from reporting, since they did not meet all the EPWP requirements.

Going forward, a series of interventions is already underway to address these challenges, such as conducting quality assessment workshops to identify and correct inconsistencies on the reported data on a quarterly basis, conducting pre-audits in all regions to prepare the public bodies for audits, and ensuring tight management of conditional grants to lead to full compliance and the meeting of the targets of funded public bodies.

Property management

Real Estate Investment Services

The management of immovable asset management is guided by the Government Immovable Asset Management Act, 2007.

The Department gives effect to GIAMA through various programmes, such as Real Estate Investment Services, which comprises the User Demand Management, Planning and Precinct Development Services and Real Estate Investment Management sub-programmes.

Government's planning for infrastructure is informed by the User Asset Management Plans (UAMPs). These plans provide an informed approach to planning in providing short-, medium- and long-term accommodation requirements of client departments in support of their services delivery objectives. Strategic accommodation requirements encompassed in the UAMP are then matched against the supply of custodian assets as articulated in the Custodian Asset Management Plan. Various acquisition methodologies are investigated to address the gap in accommodation requirements. The acquisition model that is then implemented contributes to the socio-economic imperatives of government.

In the year under review, 42 client departments were assisted to develop UAMPs. Of the 42 clients, only 10 have capital infrastructure projects. The Department assisted these 10 clients to submit signed-off infrastructure worklists for project programming and implementation.

Planning and Precinct Development (PPD) seeks to redress racial spatial imbalances, guided by the National Development Plan, as well as to integrate government infrastructure planning to create efficiencies, balance the leased portfolio, save costs and ensure more accessible services to the public. The core mandate of PPD is to develop government accommodation solutions within identified government precincts in collaboration with municipalities and sector departments to ensure efficiencies for the state.

The Department developed a Strategic Spatial Framework to assist with spatial targeting. This resulted in 40 urban and 40 rural municipalities being selected from the 232 municipalities in the country for government precinct planning. During the 2016/17 financial year, planning activities commenced in 20 municipalities including, urban and rural towns. The PPD completed government precinct plans for Tshwane, Ethekwini, Howick and Mount Fletcher in 2016/17. Completed precinct plans are on state-owned land with costed concepts and site clearance processes that are underway.

The GIAMA objectives are addressed in that state's immovable asset portfolio is utilised for government precinct development, ensuring accessible services to the public, reduced lease cost and serving as a catalyst for economic and social development in urban and rural areas.

The leasing portfolio in Tshwane, where all government head offices are being clustered in precincts, is currently over 1 million m². Recently acquired township approval in one of the precincts will facilitate the development of three new head offices, which will reduce the lease footprint by approximately 350 000 m² in the next three years.

In the Tshwane Northern Gateway, three strategic parcels of land are in the process of being acquired from the City of Tshwane, after which site establishment will commence. The town planning processes have been initiated for the development of a head office within the Tshwane Capital Hill Precinct, to be planned and executed in conjunction with the City of Tshwane. In commissioning service installations, an estimated 3 500 jobs will be created. The acquisition of land for the development of the Government Printing Works in Tshwane has the development potential of 70 000 m² to the value of R700 million. The site enablement process is at an advanced stage. The redevelopment of the old HG De Witt state-owned site in Tshwane is a project of 20 000 m² to the value of over R500 million. The site clearance commenced in early 2017 for Head Office development.

The PPD has identified a government precinct in the Johannesburg CBD with a development value of R380 million. A precinct is being planned in Polokwane to accommodate the DPW regional offices and, in future, other administrative client departments. The first phase of the development comprises a building of 5 000 m² to the value of R130 million. It is estimated that the project could lead to the creation o 30 additional jobs.

In Mbombela, a government precinct is planning to accommodate social cluster clients in a development with an extent of 6 000 m² to the value of R108 million.

State-owned land of 16.6 ha has been identified for client departments in Durban for a security cluster with a development potential of 170 000 m^2. The estimated value of the project is R853 million and it could lead to 110 new job opportunities.

Land exchanges were completed in Howick and Mount Fletcher, where social cluster precincts will be developed within the next two to three years. The PPD completed the government precinct plans for these towns and the proposed office development will serve as a catalyst for economic development in these rural areas. Site clearance processes are under way, after which construction will commence. For these precincts, the number of jobs to be created in the site establishment phase is estimated at 100.

The Real Estate Investment Management sub-programme is mandated to increase the value of the immovable asset portfolio under the custodianship of the Department with the objective to inform asset management decisions through optimal investment solutions and to measure the level of performance of the immovable asset portfolio that informs property and portfolio strategies. Furthermore, the programme ensures compliance with GIAMA in the development of the Custodian Asset Management Plan (CAMP) for the Department's portfolio in consideration of the assessment of building performance and the facilitation of approval for disposals that are responsive to government's socio-economic objectives. The period under review marks the seventh year of the Department's updating and enhancement of its CAMP, based on the information provided in the UAMPs received. Further work in the new financial year will ensure continued improvement of the CAMP to comprehensively reflect the state of the Department's immovable asset portfolio and all planned projects and associated initiatives within it.

This programme is also entrusted with the development stages of the National Infrastructure Maintenance Strategy (NIMS), for which the National Immovable Asset Maintenance Management Framework (approval pending) has been developed. Endorsement will be sought from MinMec in the new financial year to apply the NIAMM to the Public Works sector in alignment with the development of a sector maintenance strategy. Thereafter, Cabinet approval will be sought to roll this out to all government infrastructure sectors, as was the intention of NIMS when launched in 2008.

During the year under review, the programme continued its efforts to clear backlogs in relation to requests for disposals and feasibility studies that inform investment and disinvestment decisions. In this regard, approval was granted to dispose of 12 land parcels totalling 263.0849 ha as follows:

- Human settlements: 244.2896 ha
- Socio-economic development: 18.7953 ha (including servitudes for water, electricity and road infrastructure construction)

Additionally, 230 feasibility studies and 290 property valuations were finalised to inform property investment decisions that, in time to come, will accommodate client departments in efficient and contemporary accommodation, within which they will undertake their line function services to the community at large.

The completed 230 feasibility studies relate to acquisition and disposal requests. Based on viable options identified, the analysed future acquisition-related projects will result in a forecast total capital outlay (investment value) of R11.4 billion with a total return (saving) of R5.4 billion over an initial period of 10 years, while improving the PMTE balance sheet.

In respect of disposal-related projects, these will result in an immediate total income of R77 million with a possible saving of R115 million of expenditure over a period of 10 years.

Acquisition projects include the following categories, among others: new purchase and tenant installation, state-owned refurbishments and new constructions, while disposal-related projects, among others, provide for the registration of servitudes, donations, sale and long-term lease-out.

Of the 290 property valuations conducted and finalised to inform investment decisions, valuations were compiled to inform rental tariffs for the letting of 60 properties, amounting to R8 192 246 per annum.

It is anticipated that, for the 2017/18 financial year, valuations will increase in respect of assisting benchmark rentals for leased-in properties and in the form of rental reviews apart from valuations related to new accommodation requests for client departments.

During the year, 723 municipal values for state-owned immovable assets under the Department’s custodianship were appraised during the contestation of municipal valuation rolls to lodge objections where necessary. The values reflected in these municipal valuation rolls were inspected and found to be fair and reasonable. Therefore no objections were lodged, resulting in justifiable invoices paid and expenditure maintained within the Department’s municipal rates and taxes budget.

Moving forwards, and as most local authorities are currently in the process of compiling valuation rolls as guided by the MPRA, it is anticipated that the Department, through its in-house Valuation Unit, will assess all the municipal valuation rolls that would be open for inspection during this cycle.

Successful objections to municipal values will translate into significant savings in the Department’s municipal rates and taxes expenditure, thus improving efficiencies and freeing scarce financial resources for other key infrastructure requirements.

During the year under review, the performance of over 400 buildings was measured in identified areas, inter alia, efficiency, economy, financial performance, effectiveness, physical condition, functionality and utilisation. Key issues that were found in the performance assessment indicate that there is very high consumption of energy and water in most facilities, compared to industry standards. Upon further assessment, it was concluded that there is a significant maintenance backlog in most facilities, arising from limited resources to ensure adequate maintenance. This contributes to the continuous deterioration of facilities, which has a negative effect on service delivery and the depreciation of property values. The Department, therefore, has prioritised the initiative to determine and levy appropriate accommodation charges from all its occupants for the use of facilities under its custodianship in order to increase maintenance budgets and address the maintenance backlog. Regular maintenance, including the refurbishment of state-owned facilities, will most certainly improve immovable asset performance and directly enhance the Department’s portfolio value.

Real Estate Information and Registry Services

The Real Estate Information and Registry Services programme was established to provide credible immovable asset information that informs investment decisions and portfolio management and to ensure the efficient management and control of the Immovable Asset Register (IAR). The programme commenced with the recruitment of critical resources required for the IAR's maintenance. The Department initiated the migration of the IAR to a GRAPA-compliant asset management solution that is integrated with finance, projects and leasing administration modules. The IAR's data is also ready for incorporation into the UAMP preparation process in line with GIAMA.

A reliable and comprehensive IAR, integrated with the rest of the business and its financial and property management processes, remains a critical success factor to the full operationalisation of the PMTE. The majority of the land parcels recognised to date (29 329) have been assessed. It should be noted that the PMTE is but one of several state land custodians, as the DRDLR and the provinces, together, are custodians of some 80 000 further land parcels, either already vested or deemed to be under their control by virtue of applicable state functions assigned in terms of the Constitution. Not all state land has been correctly vested by the respective state land custodians, hence there may still be some movement of properties among state land custodians and the PMTE. The PMTE continuously monitors state land allocations among state land custodians in terms of the concurrent mandate, and adjusts its IAR for movements once the relevant property research is complete and confirmed.

A significant amount of work has been done over the past four years to ensure that a credible and compliant IAR is compiled and implemented in the organisation. This included extensive research on properties, gathering a sufficient portfolio of evidence and assessments thereof. During this reporting period, this extensive and complex IAR has, for the first time, been comprehensively tested through audit processes. The outcome of such processes should be indicative of the areas where further attention should be given to improving the quality and usefulness of data. However, the PMTE is dependent on a number of stakeholders to provide accurate and reliable data in order to maintain its IAR. These include the Deeds Office for title deeds and required data feeds to perform relevant research, updates and reconciliations, the Office of the Surveyor-General for Surveyor-General diagrams and other key custodians to confirm property holdings or changes. While the PMTE has a close working relationship with such stakeholders, there have been challenges with obtaining the required data or information, which may result in adjustments required to the IAR. This includes information about properties expropriated and changes to deeds data in respect of state land transactions and attending to properties incorrectly vested.

Processes have been implemented to ensure that the Department's IAR is complete, accurate and correctly valued going forward. This entails reconciling the IAR against the deeds records, IARs of the provincial DPW and the register of the DRDLR, and the Land Administration web system on a regular basis. Ongoing maintenance of the IAR also includes the timely processing of additions, disposals, transfers and the capitalisation of completed capital projects. The predefined information fields in the IAR were populated to comply with National Treasury's minimum requirements, GRAP standards and the PMTE's business requirements. The information collected for the IAR is continuously reviewed and updated in line with business processes and the applicable Immovable Asset Management Policy.

Reporting and accounting for the state's immovable assets is steadily improving, given the collaborative efforts between the national and provincial custodians in respect of immovable assets for these custodians, but will require ongoing collaboration among state land custodians and the DRDLR until all state land custodians have deployed the required processes, systems and resources, and are in alignment.

The PMTE has some 7 500 land parcels, which are not yet under the custodianship of the Department, and have thus not been recognised in the IAR or in property, plant and equipment carrying value. These relate to land on which state domestic facilities have been built, but the PMTE cannot currently prove that a binding arrangement exists, which would enable it to recognise such an asset. Accordingly, the ownership of the underlying land will require regularisation to ensure that eventually it is controlled by the correct custodian (substance over form). This work has commenced in line with a structured programme and is required to be completed in time to ensure compliance with IGRAP 18 (applicable to periods beginning on or after 1 April 2019).

Provision of quality functional accommodation

The Real Estate Management Services Management programme, as one of the core business programmes of the PMTE, is responsible for the provision of quality functional accommodation to client departments through the allocation of state-owned properties to client departments for public service. Where there are no suitable state-owned properties that meet the client department's needs, the provision of accommodation is done through the acquisition of leased properties. The programme remains closely acquainted with the accommodation needs of the client departments in order to deliver accommodation according to users' specifications because it was specifically established to provide and manage the real estate portfolio in support of government's social, economic, functional and political objectives.

The historical procurement process, which was designed for goods and services, did not adequately address the acquisition of properties, resulting in landlords charging government above-market rates. At the initial stages of transformation of the PMTE, the National Treasury approved two dispensations according to which existing lease agreements that expire could be extended without applying prescribed procurement processes. These dispensations however proved to be unsustainable due to the strict conditions imposed as some landlords refused to comply with the conditions that were set. Government did not have alternative accommodation.

While government is the largest custodian of assets, approximately 15% of the unutilised state-owned properties are in a poor condition.

The poor condition of state-owned properties leads to the following:

- The scarcity of suitable state-owned accommodation. This results in the need to acquire new state-owned property or to acquire leased property.
- Properties remaining vacant and exposed to illegal occupation and vandalism. As the properties remain vacant, more residents invade the unutilised properties and they become unavailable for use. Some vacant properties are exposed to vandalism by the community.
- The inability to generate substantial revenue through the letting of state-owned properties. The programme is expected to contribute towards the financial stability of the PMTE. This could be achieved through revenue generated from letting unutilised state-owned properties to the private sector. The poor condition of the properties however limits the market demand for it.

In terms of the transformation of the property industry, the procurement policies did not enable the Department to achieve its transformation objectives by setting aside lease transactions for designated groups. The concept of setting aside the procurement of leases for designated groups was viewed as unconstitutional as existing procurement policies did not cater for this.

High cost of lease rentals

Property leases are, on avarage, concluded at costs that are above the market rates; hence the high rental expenditure of approximately R4 billion per annum. There are a few landlords that dominate the lease portfolio in government, preventing new entrants to the industry, especially previously disadvantaged groups (blacks, youth and women). Leases that were renewed through National Treasury-approved special dispensations are coming to an end, and there is no adequate procurement framework to deal with the acquisition of leases. To this end, the Department approved the business case for the implementation of the lease framework. The Department conducted national roadshows where stakeholder were engaged on the revised procurement approach and the establishment of a Register of Landlords, from which the accommodation needs of client departments will be strategically sourced.

Furthermore, the Department obtained National Treasury approval on 9 March 2017 for lease portfolio renegotiations in an effort to achieve a cost saving of R800 million per year towards market related rates and/or below.

Prestige portfolio

The Prestige portfolio provides fully furnished residential and office accommodation to Prestige clients. These include the political office bearers, the Chief Justice and Deputy Chief Justice, Speaker of the National Assembly and Deputy Speaker of the National Assembly, Members of Parliament, Directors-General and sessional officials. The delivery of accommodation for Parliament (legislative seat) is managed and located in Cape Town, while the Executive (administrative seat) is in Pretoria. This portfolio is responsible for the maintenance of the aforesaid accommodation, including the Union Buildings and the Parliamentary Precinct. The Prestige portfolio is also responsible for the implementation of security measures for Members of the Executive at state-owned houses, as well as in their private residences, which are designated as official residences, national key points and other key state-owned buildings. Additionally, movable infrastructure support to state functions or events is also the responsibility of this portfolio.

To effectively deliver on the services of this portfolio, the Department has signed a service level agreement (SLA) with the Presidency. This approach will ensure a consistent level and standard of services and enhance a positive client experience with Prestige through the set norms and standards for the provision of movable assets. These standards will promote the equal treatment of clients, fairness and transparency. By bringing strategic partners on board, PMTE was able to accelerate repairs and maintenance of immovable property in this portfolio which has contributed significantly to improved intergovernmental cooperation.

Oceans economy: Operation Phakisa

Parallel to the repair programme is the Department's participation in the Presidential programme, Operation Phakisa: Oceans Economy - Unlocking the economic potential of South Africa's oceans. To date, a number of government departments, banks, educational institutions, organised labour, community trusts and groups, as well as potential investors and research entities, have convened to identify areas of cooperation and the further development of small harbours and the country's coastline.

In order to ensure that all role players are consulted and informed of the work to be completed, as well as to engage on possible areas of partnership with various South African stakeholders (both private and within government), the Department has begun with an extended consultation drive.

Municipal briefing consultations have been completed in four coastal provinces, and were attended by representatives from coastal local and district municipalities, as well as the provincial government. Engagements with the private sector, including investment companies, educational institutions, non-governmental organisations (NGOs), civic associations and traditional leaders, took place in the Eastern Cape, Northern Cape and Western Cape. The same will be convened in KwaZulu-Natal in due course. In these engagements the following areas were discussed:

- Education, training, skills development and legal matters
- Harbour and coastline security and employment
- Economic and infrastructure development and its alignment of proposed projects with spatial development frameworks (SDFs) and integrated development plans (IDPs)

Small Harbours and Coastline Development

Historically, the development of harbours was skewed towards the Western Cape where all the 12 existing proclaimed fishing harbours are located, together with various other small unproclaimed harbours. In order to keep the harbours in optimum working condition, the Department initiated a repair programme under the Small Harbours and Coastline Development programme. This repair programme has a budget for critical capital expenditure, as well as a portion for the maintenance of the harbours until March 2019.

The Small Harbours and Coastline Development programme was created to manage the utilisation and administration, and provide facilities management services to all small harbours (proclaimed and non-proclaimed). This function includes the management of state-owned coastal properties, including the admiralty reserves along the South African coastline. The key objective of this programme is to identify areas for possible investment to promote localised job creation, economic growth and the socio-economic development of communities and municipalities in the immediate vicinity.

The programme had an initial budget allocation of R400 million to run the repairs programme for the period 2015 to the end of March 2019. With tight financial conditions, the programme has since reduced its national priority to building three new small harbours in three provinces. Additional grant funding has been sourced from the Peoples' Republic of China. This grant funding will be used in the next financial year to conduct feasibility studies and provide concept designs for the development of spatial and economic development frameworks (SEDFs) for three new small harbours at Port St Johns (in the Port St Johns Municipality, Eastern Cape), Port Edward (in the Ray Nkonyeni Municipality, KwaZulu-Natal) and Port Nolloth (in the Richtersveld Municipality, Northern Cape).

Construction project management

Construction Management plays a vital role in the Department's value chain in delivering construction projects and ensuring successful delivery within time, cost and quality. For the year under review, the Department undertook many construction and maintenance projects, amounting to R4.8 billion. The recoverable capital expenditure (including construction expenses) amounted to 86% (R2.8 billion) of the total budget compared to 97% in the 2015/16 financial year. The recoverable current expenditure (planned maintenance) amounted to 104% (R885 million) of the budget compared to 135% in 2015/16. The variations in the current year are a result of delays in capital projects and reclassification of projects from capital to current. Non-recoverable capital expenditure is funded through a budget transfer from the main vote to the PMTE and amounts to 103% (R1.1 billion) of the budget.

In furthering the implementation of the IDMS from the development of UAMPs by client departments and the Custodial CAMP, the Department developed six Infrastructure Programme Management Plans (IPMPs) and Infrastructure Programme Implementation Plans (IPIPs). The initial performance target was four for each, therefore 150% performance achievement was registered.

The abovementioned takes the implementation of the IDMS to an advanced practical level. This will yield improvements in the planning, design and execution of accommodation solutions for the DPW's clients over the Medium-term Expenditure Framework (MTEF) period.

The Department is currently facing the following challenges:

- Limited internal technical and professional capacity (project managers and technical professionals, such as architects, engineers and quantity surveyors)
- The late confirmation of funds (budget) at every stage of implementing projects by client departments
- The imposition of a change of scope by client departments during the design phase and after site handover
- The poor performance of service providers, both consultants and contractors, on certain projects, resulting in the extension of time, penalties and the cancellation of contracts
- Liquidation of contractors before the completion of projects awarded to them

To curb these challenges, the Department has put initiatives such as the following in place:

- The establishment of a supply chain management (SCM) war room, which tracks and monitors projects in the evaluation and adjudication stages
- The institutionalisation of the IDMS in the Department including the provincial DPW, which includes a review of processes and systems and achievements as follows:
    - The Project Management Office assists in managing IDMS implementation.
    - The National IDMS Steering Committee for both the national DPW and the provincial DPW, aimed at monitoring implementation and identifying common challenges in the delivery of infrastructure and interventions.
    - The alignment of the IDMS targets in the delivery value chain and development of measuring tools.
    - Ongoing review of Spatial Development Infrastructure Framework (SDIF) by an in-house team, which includes the service delivery model (SDM), business processes, standard operating procedures (SOPs), delegations, delivery standards and unit costing.
    - Implementing a generic functional structure, which is aimed at supporting infrastructure delivery, utilising the IDMS approach.
- Utilisation of government entities such as the Independent Development Trust (IDT) (the Accelerated Schools Infrastructure Delivery (ASID) school programme in Eastern Cape) and Coega (65 strategic projects for the Mthata regional office).
- The implementation of a joint teams strategy between the DPW and major client departments, such as the South African Police Service (SAPS), Department of Correctional Services (DCS), the Department of Justice and Constitutional Development (DoJ&CD), the Department of Defence (DoD) and the Department of Home Affairs (DHA). Joint teams are meant to deal with the joint identification and unblocking of challenges.
- The recruitment of retired professionals to assist with the mentorship of young professionals or graduates.
- The Department has held one-on-one sessions with all contractors and, in particular, with those that have been underperforming to address challenges such as cash flow, lack of skills or capacity, and construction project management.

In the period under review, the Department completed about 180 projects with a total value of R3.9 billion, ranging from government buildings to police stations, prisons, border posts, Presidential guest houses, museums and magistrate courts across the country. All of these projects were completed in various provinces throughout the country and have had a profound effect on the accessibility and service delivery to the South African public. In particular, the increase in the number of police stations and magistrates' courts in areas that have never been serviced before are having an impact on reducing crime rates where it has been established. The upgrading of border posts spread across the provinces adjoining other countries has also ensured much better control and improved service.

Facilities management

Historically, the Department has never had a fully fledged facilities management function with a planned maintenance programme. This resulted in reliance on unscheduled maintenance or reactive maintenance and a high backlog of maintenance of state-owned buildings. In addition, there has been a challenge of utilisation fragmented and manual systems, making it very difficult to respond to calls from client departments in good time. While existing business processes relating to reactive maintenance is outdated, new revised business processes are being finalised for approval. There are no clear guidelines or criteria to assess the existence and validity of complaints reported by client departments. On safety issues, numerous safety incidents and contravention notices are pointing to the need for an increased focus on occupational health and safety (OHS).

During the last financial year, the PMTE undertook an analysis of all maintenance services to fully understand the reasons for the inefficiencies and weaknesses present in the facilities management environment. This particular function was therefore prioritised to address fragmented and manual systems, poor facility conditions, ballooning unscheduled maintenance expenditure and repeated audit findings.

A comprehensive maintenance strategy is being developed to improve the condition of the state's portfolio to meet the requirements of client departments. The strategy focuses on both unscheduled and scheduled maintenance, with the aim of developing skills and creating work opportunities, while aligning this with NIMS and GIAMA. The approach is also aimed at reducing the number of unscheduled maintenance incidents and associated expenditure, while preserving the condition of the portfolio.

During the year under review, the centralisation and direct control of the divisional budget for Facilities Management has yielded greater accountability and visibility of current expenditure trends. This decision allowed greater visibility and control of prior year commitments to suppliers. Furthermore, the procurement of information and communication technology (ICT) tools to improve the automation of operations (the Facilities Management Enterprise System and Telemetry Remote Monitoring) is a notable achievement. The enterprise management system went live during the year under review. However, some challenges were experienced due to inter alia, dependencies that relate to more detailed information required that is not yet available in the asset register.

The prioritisation of the property portfolio was done, which cuts across all client departments. This prioritisation allowed the branch to frame a pilot project with the following highlights:

- Facilities Management will deliver a model for the top 300 facilities.
- A Critical Component Maintenance programme has been established (lifts, boilers and heating, ventilation and air conditioning (HVAC)).
- Condition assessment has been completed for the top 15 facilities earmarked for total facilities management (Pretoria region).

Since its inception, the Resource Savings Project has reached several significant milestones and is continuously delivering on its objective. Such milestones include the following:

- The establishment of a National Baseline Committee
- The introduction of standardised business processes
- The approval of 85 water baselines and 29 energy baselines to date
- The incorporation of shared savings contract facilities within the Vodacom Telemetry Project

Human Resources Plan and the capacity-building programmes

During 2016/17, the Department managed to process and conclude a review of the organisational structures for both the Department and the PMTE. The review of the organisational structure remains critical in the stability and growth phase of the turnaround strategy. Key to the review was a requirement for both National Treasury and the Department of Public Service and Administration to align the organisational structure within the allocated budget over the MTEF. The other critical factor was the need to focus functional responsibilities to respond to the departmental mandate.

The Human Resources Plan responded to the various commitments arising from the State of the Nation Address (SONA), budget votes, the Minister's Policy Statement and the imperatives of the Turnaround Programme of the Department. The Department created internal dedicated capacity within the PMTE through contract appointments to cater for the added areas of responsibilities in relation to the Programme Management Office, Small Harbours, Green Buildings and Water Treatment pending the finalisation of the review of the organisational structure. The appointment of a water scientist and the collaboration between the Department and Rand Water resulted in the recruitment of certified water processors. This contributed to the improvement of water quality at some of the water treatment plants to achieve Blue Drop certification. Capacitation was also provided to strengthen the delivery of capital projects. Recruitment was done in construction project management and other engineering disciplines. Capacity was also provided for the enhancement of the IAR and, through this approach, the Department was - for the first time - able to appoint two property actuaries to inform asset investment decisions. This capacitation model was applied to avoid bloating the post establishment and creating long-term pressures on the compensation budget for the MTEF period. The appointment and extension of employment contracts, as prescribed in the Public Service Regulations of 2016, and approved by the Minister of Public Service and Administration, was aligned to the implementation of the new organisational structures. The Minister of Public Service and Administration approved the extension of employment contracts to 30 September 2017 for those appointed in existing functional areas within the DPW and PMTE, and to 31 March 2018 for employees identified as critical for the turnaround interventions.

The DPW continued to contribute to high-level human capital development and to the creation of a pool of critical skills, aimed at changing the profile of the workforce by growing a representative workforce for the built and property environment, while growing the size and raising the quality of the human capital base needed to improve the quality of life of all South Africans.

Technical skills programme

Capacity building is important in every organisation. The identification, strengthening and linking of the Department's tangible resources is pivotal in the realisation of this vision. The review of the organisational structure recognised the role of the Department in relation to its concurrent mandate support, and resulted in the creation of the Professional Services branch, which will, among other things, drive the technical capacity development programme nationally in collaboration with the provinces, other national departments in the same sector, relevant sector education and training authorities (SETAs) and institutions of higher learning. To ensure operational improvement, a direct accountability model has been adopted for each business area throughout the different functional areas. Various strategic positions have been filled and various technical and professional experts have been placed in the property management environment.

The Department has commenced with implementing various technical capacity-building initiatives to address its specific skills requirements. This called for partnership arrangements with the South African Property Owners' Association (SAPOA) and the Coega Development Corporation to reskill and upskill the employees through tailored programmes that address the specific requirements of the Department. The partnerships involved the facilitation of training and development, aimed at improving the skills and capabilities of employees. The alignment of the employees' work plans to these processes and programmes ensures maximum benefits in Facilities Management and Property Management, as well as certificates for commercial property practitioners and professional development. To facilitate these programmes, SAPOA has enlisted the help of the University of the Witwatersrand (Wits), the University of Pretoria and the University of Cape Town (UCT) Graduate School of Business.

Internal Skills Development Programme

The Department had 1 909 beneficiaries participating in the skills development programme. Through forging strategic networks, which led to additional funding, the skills development programme contributed to meeting the Department's demand for skills. The various categories of skills sets included skills in the built environment (engineering, town planning, urban design, property valuations, quantity surveying, construction project management, architecture and landscape architecture) and property management or real estate.

The Department continued with the implementation of the retired professionals' programme in order to close the current technical and professional skills gaps and to provide the necessary mentorship, coaching and guidance to young professionals towards professional registration with the relevant professional councils. To this end, 86 young professionals acquired professional registration. The success of the programmes to increase technical capacity has resulted in 32 young professionals securing external appointments and 54 remaining in the Department. These young professionals are placed in the various areas of the PMTE, and provide much critically needed technical expertise. They are deployed in various service areas. For example, water graduates and technicians are deployed to water facilities and have been instrumental in improving the conditions in these facilities, with a special focus on compliance levels (the registration of plants and personnel in KwaZulu-Natal and Mpumalanga with the Department of Water and Sanitation).

A total of 39 artisan trainees have acquired artisanship status, 18 are appointed in the workshop structures of the Department, nine secured external placements, and 12 await appointment into the workshop vacancies pending the finalisation of the structural review. The management trainees have been key in the Department's efforts to have an IAR. These trainees have been deployed in this area, and have contributed to the success registered.

The Schools Programme has ensured that the Department sponsors high-performing Mathematics and Physical Science learners from disadvantaged schools in rural, farming and township communities. Since 2014, 296 students have been awarded full-time bursaries to pursue studies in the built environment, property and facilities management. Through the Bursary Care Programme, the Department has been able to register 87% success in this scheme. Of the remaining 13%, 4% comprises students who have been dismissed from their studies by the institutions due to poor performance, and 9% comprises students whose bursaries have been suspended due to poor performance.

The ICT internship resulted in the appointment of 31 trainees to man the internal Works4u call centre. The Worx4U call centre seeks to integrate and support all customer relations management activities by proactively improving communication services and enhancing relations among stakeholders who are involved in the management of facilities provided by the DPW's Facilities Management Unit.

The recently approved communication strategy and plan is in place and ready to be rolled out. The communication strategy and plan is informed by the four functions of communication in the unit: internal communications, media and stakeholder relations, public relations and marketing, and programme communications (EPWP). The strategy also covers the change management process and turnaround strategy of the Department. It gives clear communication initiatives that are implemented in each quarter.

Supply Chain Management overview

During the period under review, the SCM Unit, which operates as a shared service for both the DPW and the PMTE, embraced and incorporated all SCM reform legislation promulgated by National Treasury in line with the National Treasury Reforms Review of 2015.

The SCM Unit is strategically positioned to be one of the most significant trajectories for service delivery for the entire Department, procuring infrastructure and property, facilities management and general goods and services. Over the past four years, the entire SCM system has been subjected to an extensive review, customisation and business process re-engineering to meet business needs, ensure compliance and enhance efficiencies.

With the support of the Office of the Chief Procurement Officer at National Treasury, an SCM reform package was designed to put the Department's SCM on a seven-year reform path. The reform trajectory for supply chain is mirrored and remains aligned to the Department's seven-year turnaround strategy. The Department has fully embraced the implementation of the National Treasury Central Supplier Database (CSD) and has migrated its supplier database to the CSD. This further ensures that the pool of suppliers to government as a whole is expanded.

The Department upgraded its electronic quotation system (Devolution) to interface with the CSD and allow full nomination of suppliers electronically. The Department has also established a help desk to assist service providers to register on the CSD. As part of the strategic sourcing initiatives and to benefit from economies of scale and quicker turnaround times, the Department is implementing term (period) contracts for a number of commodities and services. These contracts will be leveraged to target qualifying small enterprises (QSEs), emerging micro enterprises (EMEs), small, medium and micro enterprises (SMMEs) and other designated groups.

A significant new development in infrastructure acquisition was the release in July 2016 of the "Standards for Infrastructure Procurement and Delivery Management" (SIPDM) by National Treasury. The SIPDM is now aligned to the National Development Plan (NDP) focus area of recognising differentiated streams of procurement that require different skill sets.

The Department is fully compliant with the cost containment measures introduced by National Treasury. The lack of a pool of public sector, SCM-qualified practitioners, particularly in the built environment and property environment, has an impact on the execution of the mandate of the Department.

Due to the lack of an integrated IT system for end-to-end procurement transacting, the utilisation of manual systems remains a challenge.

1.4 OVERVIEW OF THE FINANCIAL RESULTS

1.4.1 Main account

Programme revenue 2016/17

The table below depicts a comparison of the departmental revenue receipts against estimates and is compared to the prior year performance.

Table 1.2: Revenue receipts

Departmental receipts	2016/17			2015/16		
	Estimates	Actual amount collected	(Over)/under collection	Estimates	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	595	1 261	(666)	578	994	(416)
Interest, dividends and rent on land	1 089	12 361	(11 272)	–	2 300	(2 300)
Sale of capital assets	–	70	(70)	–	–	–
Financial transactions in assets and liabilities	1 080	916	164	1 300	3 812	(2 512)
Total departmental receipts	**2 764**	**14 608**	**(11 844)**	**1 878**	**7 106**	**(5 228)**

The Department collected R14.6 million as per the different categories reflected in Table 1.2. The increase in revenue mainly relates to interest to the amount of R12 million received on advance payments made to the IDT for the non-state sector incentive and other projects implemented on behalf of the Department.

Budget allocation 2016/17

The Department's adjusted appropriation for the year under review was R6.513 billion, which is an increase of 3% compared to the 2015/16 financial year's adjusted appropriation of R6.312 billion. The increase in the budget allocation was mainly for increases in current payments and transfers and subsidies for the EPWP incentives and conditional grants.

As depicted in Table 1.3, the bulk of the appropriated financial resources (91%) are allocated to the EPWP (36%) and for Property and Construction Industry Policy and Research (55%). These two programmes represent the major proportion of the Department's mandate or deliverables.

Table 1.3: Budget allocation per programme

Budget allocation per programme	R'000	Allocation as a percentage
Programme 1: Administration	516 006	8%
Programme 2: Intergovernmental Coordination	28 639	0%
Programme 3: Expanded Public Works Programme	2 319 500	36%
Programme 4: Property and Construction Industry Policy and Research	3 553 090	55%
Programme 5: Prestige Policy	95 564	1%
Total	**6 512 799**	**100%**

Expenditure analysis

A summary of the Department's financial performance is provided in Tables 1.4, 1.5 and 1.6 below, which show the overall budget and expenditure, as well as spending per economic classification.

Table 1.4: Overall expenditure analysis

Budget allocation	2016/17	2015/16
	R'000	R'000
Budget allocation	6 512 799	6 312 222
Actual expenditure	6 403 346	6 281 147
Actual: Spent budget (percentage)	98.3%	99.5%
Unspent funds	109 453	31 075
Actual: Unspent budget (percentage)	1.7%	0.5%

Table 1.5: Expenditure analysis per programme

Departmental receipts	2016/17				2015/16		
	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage	Final appropriation	Actual expenditure	Expenditure as a percentage
	R'000	R'000	R'000	%	R'000	R'000	%
Administration	516 006	450 444	65 562	87.3%	480 334	479 150	99.8%
Intergovernmental Coordination	28 639	16 477	12 162	57.5%	46 015	44 748	97.2%
Expanded Public Works Programme	2 319 500	2 301 446	18 054	99.2%	1 953 369	1 939 908	99.3%
Property and Construction Industry Policy and Research	3 553 089	3 547 048	6 041	99.8%	3 742 985	3 735 387	99.8%
Prestige Policy	95 565	87 931	7 634	92.0%	89 519	81 954	91.5%
Total	**6 512 799**	**6 403 346**	**109 453**	**98.3%**	**6 312 222**	**6 281 147**	**99.5%**

Table 1.6: Spending per economic classification – Department of Public Works

Departmental receipts	2016/17				2015/16		
	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage	Final appropriation	Actual expenditure	Expenditure as a percentage
	R'000	R'000	R'000	%	R'000	R'000	%
Current payments							
Compensation of employees	470 261	438 827	31 434	93.3%	454 959	435 858	95.8%
Goods and services	431 859	366 092	65 767	84.8%	370 820	364 462	98.3%
Interest and rent on land	–	–	–	–	1 573	1 573	100.0%
Transfers and subsidies							
Provinces and municipalities	1 425 668	1 425 666	2	100.0%	1 140 001	1 139 399	99.9%
Departmental agencies and accounts	3 507 375	3 507 343	32	100.0%	3 653 519	3 653 519	100.0%
Foreign governments and international organisations	28 234	28 234	–	100.0%	23 273	23 363	100.4%
Public corporations and private enterprises	–	–	–	–	50 000	50 000	100.0%
Non-profit institutions	600 427	600 427	–	100.0%	535 147	535 147	100.0%
Households	10 068	9 579	489	95.1%	10 467	9 886	94.4%
Payment for capital assets							
Machinery and equipment	31 451	19 722	11 729	62.7%	27 703	23 180	85.0%
Software and other intangible assets	6 057	6 057	–	100.0%	357	357	100.0%
Payment for financial assets	1 399	1 399	–	100.0%	44 403	44 403	100.0%
Total	**6 512 799**	**6 403 346**	**109 453**	**98.3%**	**6 312 222**	**6 281 147**	**99.5%**

Departmental spending for the period under review was R6.281 billion, which represents 98.3% of the adjusted budget of R6.312 billion. The underspending of R109 million mainly occurred in compensation of employees, goods and services, and machinery and equipment.

Details of underspending per programme and economic classification are discussed below:

Programme 1: Administration

The underspending of R66 million in Programme 1 relates to the following:

- Compensation of employees' underspending of R13 million resulted from positions remaining vacant during the financial year, and not being filled due to the review of the organisational structure.
- Goods and services' underspending of R45 million was mainly due to lower municipal services costs resulting from the implementation of the energy and water efficiency programme. The full implementation of the cost containment initiative as directed by National Treasury also contributed to a saving in travel and subsistence, communication and advertising expenditure. In line with the improved audit outcomes in the previous financial years, departmental spending on audit fees decreased significantly due to the associated lower risk.
- Machinery and equipment's underspending of R6.8 million was due to a delay in the planned acquisition of assets.

Programme 2: Intergovernmental Coordination

The underspending of R12 million in Programme 2 relates to the following:

- Compensation of employees' under-spending of R6.3 million is mainly due to the delay in capacitating the newly established Professional Services and Intergovernmental Coordination branches in line with the revised approved organisational structure.
- Goods and services' underspending of R3.8 million is due to low spending on planned activities for the newly established branches resulting from delay in filling of vacant positions.
- Machinery and equipment's underspending of R1.7 million is due to delay in planned acquisition of assets resulting from unfilled vacant positions for the newly established branches.

Programme 3: Expanded Public Works Programme

Underspending of R18 million (equivalent to 0.8%) mainly relates to goods and services. The underspending was due to a delay in the implementation of the social, environment and culture projects.

Programme 4: Property and Construction Industry Policy and Research

Underspending of R5.8 million in Programme 4 was on compensation of employees due to vacant positions that were not filled during the financial year.

Programme 5: Prestige Policy

Underspending in Programme 5 related to R5 million for compensation of employees due to vacant positions in the branch that were only filled in the latter part of the financial year. Machinery and equipment underspent by R2.6 million.

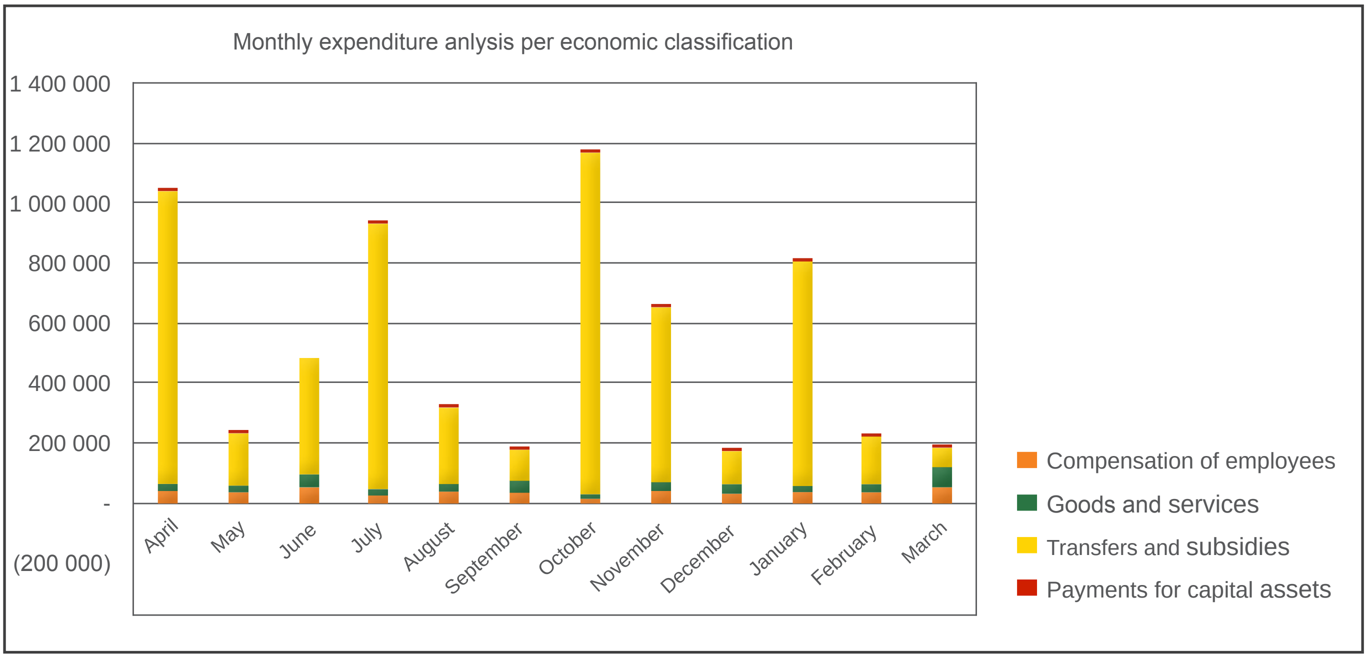


Figure 1.2: Spending trends

Expenditure was R537 million per month on average, with high spending of R1 billion and R1.2 billion in April and October 2016 respectively. The high expenditure in April and October is due to transfer payments made to the PMTE. High expenditure in the months of July, November and January relate to transfer payments made for EPWP incentives.

Virement

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

Table 1.7: Virement for 2016/17

	Programme 4 R'000	Programme 5 R'000	Total R'000
Compensation of employees	–	–	–
Goods and services	459	(482)	(23)
Transfers and subsidies	–	–	–
Payments for capital assets	45	(45)	–
Payments for financial assets	23	–	23
Total	**527**	**(527)**	–

The following virement of funds were done:

- Programme 4 was increased by R527 000 through virement of funds from Programme 5 and was made available for goods and services, payment for capital assets and payment for financial assets.
- Programme 5 was decreased by the same amount to fund expenditure in Programme 4 through a reduction of R482 000 from goods and services and R45 000 from capital assets.

Unauthorised expenditure

No unauthorised expenditure was incurred. The report for the total cumulative unauthorised expenditure of R261.2 million emanating from previous financial years has been submitted to National Treasury for further attention.

1.4.2 Property Management Trading Entity

As is the case with all other public sector institutions, the PMTE has been directly affected by the challenging economic climate and the fiscal constraints faced nationally. During the 2016/17 financial period, National Treasury implemented significant budget cuts of R250 million against augmentation funding of the PMTE and R92 million against DPW capital. A further reduction of R447 million is projected over the MTEF period as per the 2017 Estimates of National Expenditure (ENE) allocation.

This reduction in funding had a very significant impact on both the operational transformation of the trading account, as well as the organisation’s financial sustainability. The PMTE is mid-stream of the seven-year transformation plan, whereby the focus is on the enhancement of efficiencies within the institution. This can only be achieved if key drivers, such as the systems, business processes and people skills, are fundamentally revised and enhanced to support the new operating model of the PMTE. It is unavoidable that such transformation initiatives will involve substantial additional resources to be deployed as seed funding to bring about such improvements in the shortest possible time. The funding constraints experienced due to national and international dynamics will surely slow down the pace at which planned improvements can be institutionalised.

The mentioned reduction in financial support from the fiscus will also have a direct bearing on the financial sustainability of the PMTE as a trading entity, where its revenue needs to cover all capital and operational costs. In this regard, the severe impact that budget cuts to the accommodation budgets of client departments have on the PMTE should also be highlighted as a major external risk. Budget allocations for the accommodation costs of major client departments were reduced significantly, which impacted on the PMTE's ability to effectively repair, refurbish and maintain its immovable asset portfolio.

Consequently the upkeep of the entire immovable asset portfolio of the PMTE is not affordable as it is not adequately funded in client departments’ baselines. The root cause of the funding gap can be attributed to the historic determination of these baselines when the repair and refurbishment budgets of the DPW were devolved to client departments in 2006. The calculation of the amounts devolved to client departments in 2006 was based on the information in the IAR at that time, and in particular, the floor space that they were then occupying. A tariff of R26/m² was determined at that time, which would ensure that the PMTE remains financially sustainable. This charge was however, reduced to R4.74/m² as it proved to be too costly to implement at the time.

As part of the devolution framework agreed to with National Treasury then, this significantly reduced baseline tariff of R4.74/m² had to annually increase by 15%. However, as at 2016/17, this tariff has only increased to R14/m². For comparison purposes, it should be noted that, if the tariff of R26/m² that was initially required by the PMTE had been applied since 2006, and had grown by 15% annually, the tariff should have been R57/m² in 2017 to ensure the financial sustainability of the PMTE. Currently, only the equivalent of R14/m² is being recovered from client departments, which represents a serious funding gap.

In response to the budget pressures that the PMTE is facing, it has implemented the following cost containment interventions in support of its quest to enhance operational efficiencies:

- Renegotiations of the accommodation leases
- Shared water and electricity savings
- Facilities management and maintenance improvements
- Utilisation of unoccupied properties

These and other interventions to cut costs cannot be maintained indefinitely as it cannot, in isolation, ensure sustainability of the entity as it also impacts negatively on the operational capability and the level of service that can be provided to clients. Steps have therefore been taken to also enhance the revenue generation capability of the PMTE from sources other than government.

Programme revenue 2016/17

Table 1.8 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 1.8: Revenue receipts

Revenue	2016/17				2015/16			
	Final budget	Actual receipts	Variance	Percentage recovered	Final budget	Actual receipts	Variance	Percentage recovered
	R'000	R'000	R'000	%	R'000	R'000	R'000	%
Accommodation charges – leasehold	4 145 705	4 227 723	(82 018)	102%	4 004 181	3 665 573	338 608	92%
Accommodation charges – state-owned	6 772 854	6 493 010	279 844	96%	6 478 695	6 403 815	74 880	99%
Augmentation	3 389 448	3 389 448	–	100%	3 524 652	3 524 652	–	100%
Municipal services management fees	171 290	184 783	(13 493)	108%	191 411	169 504	21 907	89%
Other	20 801	8 594	12 207	41%	29 279	88 072	(58 793)	301%
Construction revenue	–	259 067	(259 067)	100%	-	244 945	(244 945)	100%
Total	14 500 098	14 562 625	(62 527)	100%	14 228 218	14 096 561	131 657	99%

Accommodation charges – state-owned

The revenue variance is largely attributable to intergovernmental accommodation charges invoiced for R217 million, which was not recovered from client departments (primarily the DCS).

Construction revenue

Projected recoveries from construction contracts are budgeted for against state-owned accommodation charges. Revenue from construction contracts relating to non-state-owned assets is, however, recognised separately as construction revenue in the Statement of Financial Performance in accordance with GRAP. These contracts were identified during the process of compiling the 2016/17 annual financial statements and related to the Department of Defence's endowment properties. A separate budget allocation will be provided for in future for these non-state-owned assets.

Budget allocation 2016/17

The PMTE's total allocation for 2016/17 was R14.5 billion. As depicted in Table 1.9 below, the bulk of these resources (93%) are allocated to Construction Project Management, Real Estate Management Services and Facilities Management Services. These line function programmes represent the major portion of the PMTE's operations and are directed at the entitiy mandate and deliverables.

Table 1.9: Budget allocation per programme

Programme	R'000	Allocation as a percentage
Administration	786 050	5%
Real Estate Investment Services	116 521	1%
Construction Project Management	4 842 942	33%
Real Estate Management Services	5 932 469	41%
Real Estate Information and Registry Services	86 836	1%
Facilities Management Services	2 735 280	19%
Total	**14 500 098**	**100%**

Expenditure analysis

A summary of the PMTE's financial performance is provided in tables 1.10, 1.11 and 1.12 below, which reflect the overall budget and expenditure analysis per programme, as well as spending per economic classification (excluding municipal services expenditure incurred in line with the agent-principal criteria).

Table 1.10: Overall expenditure analysis

	2016/17 R'000	2015/16 R'000
Budget allocation	14 500 098	14 228 218
Actual expenditure	14 212 808	14 563 004
Actual: spent budget (%)	**98.0%**	**102.4%**
(Over-)/underspending	287 290	(334 786)
Actual: budget (over)/underspend (%)	**2.0%**	**(2.4%)**

Table 1.11: Expenditure analysis per programme

Programme	2016/17				2015/16			
	Final allocation	Actual expenditure	Variance	Percentage spent	Final allocation	Actual expenditure	Variance	Percentage spent
Revenue	R'000	R'000	R'000	%	R'000	R'000	R'000	%
Administration	786 050	623 937	162 115	79.4%	847 287	723 325	123 962	85.4%
Real Estate Investment Services	116 521	108 330	8 191	93.0%	105 850	111 358	(5 508)	105.2%
Construction Project Management	4 842 942	4 473 336	369 606	92.4%	4 695 272	4 556 989	138 283	97.1%
Real Estate Management Services	5 932 469	6 030 959	(98 490)	101.7%	5 695 069	5 759 524	(64 455)	101.1%
Real Estate Information and Registry Services	86 836	72 277	14 559	83.2%	207 745	38 300	169 445	18.4%
Facilities Management Services	2 735 280	2 903 969	(168,689)	106.2%	2 676 995	3 373 508	(696,513)	126.0%
Total	**14 500 098**	**14 212 808**	**287 290**	**98.0%**	**14 228 218**	**14 563 004**	**(334,786)**	**102.4%**

Details of (over-)/underspending per programme is discussed below:

- **Programme 1: Administration**
  The underspending in Programme 1 relates to ICT orders for data centre upgrades and installation of UPS servers not being executed before year-end. Delays were experienced with the roll-out of the Finance and SCM efficiency enhancement turnaround projects due to unforeseen challenges encountered during the procurement process. Compensation of employees was underspent following delays in populating the new structure.

- **Programme 2: Real Estate Investment Services**
  The underspending in Programme 2 relates to delays in populating the new structure.

- **Programme 3: Construction Project Management**
  The underspending in Programme 3 relates to unforeseen delays on PMO turnaround projects. Compensation of employees was underspent following delays in populating the new structure. Slow expenditure occurred against the DPW Prestige, Defence, and Arts and Culture projects in the Cape Town and Pretoria regional offices.

- **Programme 4: Real Estate Management Services**
  The overspending in Programme 4 relates to municipal services. The 2016/17 allocation was reduced based on savings realised in 2015/16. Expenditure during 2016/17, however, increased significantly in the Cape Town and Pretoria regional offices as historical credit notes resulting from previous incorrect billing were exhausted.

- **Programme 5: Real Estate Information and Registry Services**
  The underspending in Programme 5 relates to delays in populating the new structure.

- **Programme 6: Facilities Management Services**
  The overspending in Programme 6 relates to repairs. The budget is based on the planned projects roll-out of an extensive project portfolio. Considering the poor condition of the portfolio, the extent of the repairs to be done at the facilities is often underestimated. It is extremely challenging to accurately cost the project activities at inception. Salaries for the DOJ&CD's cleaners were paid at the Nelspruit Regional Office for new facilities that were acquired during the 2017/18 financial period, which were not catered for in the baseline. An advance payment was also erroneously processed just before year-end to the DBSA as the implementing agent to execute various repair and refurbishment projects. This payment should have been delayed until the start of the new funding cycle.

Table 1.12: Spending per economic classification

Economic classification	2016/17				2015/16			
	Final allocation	Actual expenditure	Variance	Percentage spent	Final allocation	Actual expenditure	Variance	Percentage spent
Revenue	R'000	R'000	R'000	%	R'000	R'000	R'000	%
Current payments								
Cleaning and gardening	250 657	252 895	(2 238)	101%	210 099	211 672	(1 573)	101%
Leasing (privately owned)	4 266 679	4 266 679	–	100%	4 097 073	4 078 738	18 335	100%
Repairs	854 551	884 767	(30 216)	104%	781 151	1 054 100	(272 949)	135%
Day-to-day maintenance	1 172 504	1 172 157	347	100%	1 275 091	1 732 331	(457 240)	136%
Municipal services non-recoverable	273 916	356 464	(82 548)	130%	282 457	232 440	50 017	82%
Property rates	1 161 796	1 227 927	(66 131)	106%	1 056 178	1 259 470	(203 292)	119%
Compensation of employees	1 469 783	1 366 306	103 477	93%	1 288 773	1 140 657	148 116	89%
Admin goods and services	705 421	639 126	66 295	91%	720 244	607 878	112 366	84%
Construction costs	–	259 067	(259 067)	100%	–	244 945	(244 945)	100%

Economic classification	2016/17				2015/16			
	Final allocation	Actual expenditure	Variance	Percentage spent	Final allocation	Actual expenditure	Variance	Percentage spent
Revenue	R'000	R'000	R'000	%	R'000	R'000	R'000	%
Capital payments								
Capital non-recoverable	1 093 388	1 115 754	(22 366)	102%	1 204 786	1 158 614	46 172	96%
Machinery and equipment	40 414	30 065	10 349	74%	30 693	13 250	17 443	43%
Capital recoverable	3 210 989	2 641 601	569 388	82%	3 281 673	2 828 909	452 764	86%
Total	**14 500 098**	**14 212 808**	**287 290**	**98%**	**14 228 218**	**14 563 004**	**(334 786)**	**102%**

Material variance explanations per economic classification are as follows:

- **Construction costs:** Projected expenditure from construction contracts are budgeted for against capital recoverable. Expenditure from construction contracts relating to non-state-owned assets is, however, recognised separately as construction costs in the Statement of Financial Performance in accordance with GRAP. These contracts were identified during the process of compiling the 2016/17 annual financial statements and were related to the Department of Defence's endowment properties. A separate budget allocation will be provided for in future for these non-state-owned assets.

- **Repairs:** The budget is based on the planned projects roll-out of an extensive project portfolio. Considering the poor condition of the portfolio, the extent of the repairs to be done at the facilities is often underestimated. It is extremely challenging to accurately cost the project activities at inception.

- **Property rates:** Approval was given to settle outstanding debts on arrear rates resulting from the rates verification project. This resulted in substantial additional arrear payments being settled.

- **Municipal services expenditure:** The 2016/17 allocation was reduced based on savings realised in 2015/16. Expenditure during 2016/17, however, increased significantly in the Cape Town and Pretoria regional offices as historical credit notes resulting from previous incorrect billing were exhausted.

- **Administrative goods and services:** Underspending relates to unforeseen delays in the execution of various turnaround projects.

- **Compensation of employees:** Compensation was underspent following the delays in populating the new structure.

- **Machinery and equipment:** Underspending relates to ICT orders for data centre upgrades and the installation of UPS servers not being executed before year-end.

- **Capital recoverable:** Slow expenditure occurred against the DPW Prestige, Defence, and Arts and Culture projects in the Cape Town and Pretoria regional offices, which led to the underspending on client infrastructure expenditure.

Bank overdraft of the PMTE

As previously reported, the current operating model of the PMTE directly contributes to the bank overdraft of the entity. This is due to the fact that the PMTE incurs expenditure on behalf of the client departments, while their invoicing occurs post-payment at the end of the relevant month. As a significant portion of the PMTE expenses relates to payment of third-party contractual obligations and clients only settle these debts after 60 to 90 days, these costs directly contribute to the bank overdraft on the PMG account of the PMTE.

Furthermore, the budgets for state accommodation charges of client departments are no longer ring-fenced as the practice has been in the past when the principles of the devolution framework were agreed to. With the current economic pressures mounting and the reduction of client departments' allocations being a reality, client departments tend to arbitrarily reduce their baseline allocations with regard to accommodation charges or utilise allocated funds for other priorities. In the management of their budgets and cash flow, this inevitably results in delayed payments to the PMTE, which also impacts on the high bank overdraft revolving at levels of around R1.2 billion.

The above exposure emanating from the PMTE's operating model is being addressed through the following:

- National Treasury has already supported the position of billing clients in advance so that the timing delay between the payment of service providers and the recovery of funds from clients can be minimised.
- Interaction with client departments has commenced, which should culminate in signed service level agreements agreeing to the following:
  - the revised advanced billing for known and confirmed commitments;
  - the payment of all liabilities within 30 days (rental, utilities costs, etc.);
  - the phased implementation of itemised billing for state-owned accommodation, which will lead to reduced disputes regarding the payment of invoices that was historically issued on the basis of the devolution of budgets; and
  - the payment of a once-off deposit for municipal services or utilities.

Steps taken to curb irregular expenditure

The PMTE is considered to be procurement-driven given its nature and operational mandate as they are responsible for the vast accommodation needs of all national departments and other state institutions. The occurrence of irregular expenditure therefore remains a high-risk area that needs to be tightly managed. An analysis done on irregular expenditure reported in previous financial years indicates that over 90% of such cases resulted from non-compliance with SCM processes. It was against this backdrop that an independent Inspectorate and Compliance directorate was mandated to review all quotations and bid or tender processes before any award is made. This ensured that irregular expenditure could be prevented, rather detecting it after the fact when legal obligations have already arisen.

The acquisition of leasing of accommodation in a system that is compliant with the constitutional provisions and SCM processes has been one of the Achilles heels of the Department in the past. This regulatory framework formed the basis on which the Department, together with National Treasury, developed the draft standards on leases as part of the reformed leasing dispensation that better serves the operational needs of the Department. These standards will direct how leases will, in future, be acquired in both national and provincial departments. It is envisaged that the standards will be finalised and operationalised in the next financial year (2017/18). This is a step in the right direction as it will contribute to curbing excessive costs occasioned by leases from the private sector.

The policy on the management of financial misconduct, which is one of deterrents used against irregular expenditure, was also reviewed and implemented in the year under review. This policy has now been aligned with the latest guidelines on irregular expenditure issued by National Treasury. In the application of consequence management, officials who have been found guilty of financial misconduct are dealt with in terms of the policy. The reduction of the irregular expenditure balance of the PMTE from R34.4 billion in 2013/14 to R3.5 billion in 2016/17 demonstrates the efforts and strategies put in place to prevent and reduce the incidences of irregular expenditure. Similarly, the current balance of R3.5 billion, which is a legacy of systemic issues that prevailed prior to the transformation of the Department and the PMTE, will be investigated and finalised in terms of National Treasury's directives in the next two financial years.

Exemptions and deviations received from National Treasury

Challenges with the implementation of itemised billing

During the 2016/17 financial period, the PMTE had an approval in place from National Treasury not to invoice client departments by means of detailed itemised invoices setting out their actual occupancy of state property. The PMTE therefore continued to invoice client departments on the basis of budgets devolved to them in 2006 irrespective of current occupation. This approval to postpone the implementation of itemised billing expired on 31 March 2017.

In terms of the expired approval granted, the following key milestones had to be achieved before valid and accurate itemised billing could be rolled out:

- Development of a credible immovable asset register
- Development of an integrated ERP system
- Confirmation by clients regarding their occupation of state accommodation
- Development of a user charge model by the PMTE

Due to a number of factors, the PMTE is not yet in a position to implement itemised billing.

The PMTE embarked on a comprehensive programme to develop a complete, reliable and GRAP-compliant IAR and completed the count (extent), physical verification and high-level condition assessment of the assets. From the outcome of this project it became clear that the PMTE is responsible for an extensive property portfolio, which comprises approximately 31 000 registered and unregistered land parcels on which there are approximately 92 000 improvements (buildings and structures). These are located throughout the country and are utilised by 52 client departments, who are the key clients of the PMTE.

Up to the end of the 2016/17 financial period, client departments only confirmed occupation for 64 400 of these properties, which approximates 70% of the portfolio.

Another key operational dynamic that should be considered is the fact that the IAR is not static as periodic deeds downloads and reconciliation processes reveal additional assets that impact on the portfolio under the custodianship of the PMTE. For example, subsequent to the abovementioned IAR rebuild project, an additional 2 000 land parcels were identified from the state land analysis and reconciliation of national and provincial IARs against the deeds records. In addition, provincial custodians transferred about 1 700 land parcels to the DPW in terms of section 42 of the PFMA. The PMTE needs to confirm occupation of the remaining 2 800 properties (30% of the portfolio) and additional properties (approximately 12 000).

The updated IAR was developed fundamentally to meet compliance and reporting requirements in terms of the PFMA and GRAP. Further enhancements to the existing IAR are required to support the PMTE in its endeavours to improve facilities management and, most importantly, to implement itemised billing. For example, a detailed technical analysis, including all key components, is required to assess the condition of the asset portfolio and link the results of this assessment to the existing information on individual properties in the IAR. This information is a key dependency for the implementation of itemised billing.

Furthermore, as a key driver for the implementation of the user charge model, accurate and consistent building (and components) performance information is required. Due to existing limitations (user charges can, at best, be estimated based on international standards to operational costs of the immovable assets portfolio. Due to the level of deterioration of the assets portfolio, this will, in all probability, be an underestimation of the actual cost to be incurred). An average tariff will be determined per asset class and condition level through application of the user charges model.

In order to implement itemised billing that is realistic, accurate and affordable, sufficient information is now available on which a system can be crafted. Due to the extent of the portfolio and the complexities involved, this will unfortunately not be achieved in a short space of time. The original commitment to implement itemised billing for the entire portfolio by 31 March 2017 was indeed over-optimistic as insufficient information had previously been available on which an informed decision could be based.

Because the Auditor-General of South Africa (AGSA) has stipulated that itemised billing is the only acceptable audit evidence supporting the payment of accommodation charges, the PMTE anticipates a reduction in receipts in the next financial year. The poor recovery of accommodation charges will then also impact negatively on the cash management of the organization, as well as its financial sustainability. Management has therefore requested an exemption for a period of five years to adequately address these functional and financial challenges. During this time, itemised billing will be introduced in a phased approach to all clients. The PMTE is awaiting feedback and approval from National Treasury.

1.5 FUTURE PLANS OF THE DEPARTMENT

The future plans of the Department are conceptualised and developed in the context of the second and third phases of the turnaround strategy: from efficiency enhancement to growth and sustainability.

Supply chain management

In addressing the dynamics inherent within the leasing of accommodation environment, National Treasury and the Department have worked together in developing a supply chain management framework for leasing. This will be issued as the Standards for Leasing and Letting, which will serve to standardise processes for leasing in government. The Department has also adopted a methodology of using panels of landlords from whom accommodation can be sourced. This will further be managed through an interactive IT portal to facilitate ease of transacting.

To ensure transformation of the property sector, the Department has developed a Property Management Empowerment Policy that will serve to create an enabling, conducive and equitable environment for black people and black-owned enterprises to improve skills and capabilities in this sector.

The Department's Projects Branch and Supply Chain Unit have reviewed all procedures and frameworks related to the IDMS, and an Infrastructure Policy has been developed that links to the SIPDM system. This therefore places the Department in good stead to be fully compliant to the SIPDM and to deliver infrastructure to enhance service delivery. Panels with registered professions (quantity surveyors, engineers and architects) are being established to improve the turnaround time for the procurement of infrastructure projects.

Financial sustainability of the PMTE

The expected reduction in financial support from the fiscus will have a direct bearing on the financial sustainability of the PMTE as a trading entity in the medium to longer term. In terms of prevailing regulations, the revenue sources of the trading account needs to cover all capital and operational costs on a year-to-year basis. In this regard, the PMTE has not yet effectively repositioned itself as a fully fledged trading account in terms of which all potential revenue sources can effectively be exploited. This fundamental switch from a government institution to a commercially focused enterprise will take some time to implement in a manner that will be sustainable in the long term.

In this regard, it is fundamental to bear in mind that the current client base of the PMTE largely comprises public sector departments and institutions. If the composition of the client base is not revised to accommodate more private sector clients, the revenue-generating capacity of the PMTE will always be constrained by the prevailing affordability criteria of the National Revenue Fund.

Steps have therefore been taken to also enhance the revenue-generation capability of the PMTE. This will, inter alia, involve the establishment of a commercial hub on the establishment of the PMTE during the 2017/18 financial period, from where new revenue-generation strategies will be identified and incubated in support of the optimal utilisation of the immovable asset portfolio. Similarly, a framework and the key principles of a finance model have already been conceptualised. This model will be developed during the 2017/18 financial period and will be used as a tool to quantify the potential impact of the different revenue generation strategies, and will direct the PMTE towards financial sustainability over the medium to longer term.

Expanded public works

The EPWP, in partnership with the Buffalo City Metro Municipality, will roll out the coastal safety and protection project in 2018/19 to create additional work opportunities in the region. Traction in work opportunities is expected to grow over time as more coastal municipalities adopt the concept and implement EPWP for coastal protection in their jurisdictions.

1.6 ENTITIES REPORTING TO THE MINISTER

The Department has four entities, the CBE, the CIDB, the IDT and Agrément South Africa (ASA), which report 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 1.13: Entities reporting to the Minister

Name of entity	Legislative mandate	Financial relationship	Nature of operations
1. Construction Industry Development Board	Promote the contribution of the construction industry in meeting national construction demand and in advancing national, social and economic development objectives	DPW subsidy transferred to the entity annually	Categorisation and grading of contractors on the national Register of Contractors. The Register of Contractors reflects the nature, size and geographic distribution of contractors and therefore the country's capacity to meet construction demand.
	Provide strategic leadership to construction industry stakeholders to stimulate sustainable growth, reform and improvement of the construction sector		Establishment of the i-Tender system and the national Register of Projects. The Register of Projects reflects the nature, size and geographic distribution of projects.
	Promote uniform application of policy with regard to the construction industry throughout all spheres of government		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.
	Promote the sustainable growth of the construction industry and the participation of the emerging sector		• Establishment of the National Contractor Development Programme (NCDP), which is a public sector-led programme comprising a partnership between the CIDB, the national and provincial DPW and other willing stakeholders and partners. • Establishment 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 the Board.
2. Council for the Built Environment	Promote, establish and endorse uniform standards and ethical standards that regulate actions, practices and procedures of parties engaged in construction contracts		Establishment of the Code of Conduct for All Parties Engaged in Construction Procurement to guide and regulate the behaviour of parties engaged in construction-related procurement.

Name of entity	Legislative mandate	Financial relationship	Nature of operations
2. **Council for the Built Environment**	The CBE executes its mandate, derived from the CBE Act, 2000 (Act No. 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.	DPW subsidy transferred to the entity annually	• The built environment professions, as defined by the CBE, include architects, engineers, landscape architects, project and construction managers, property valuers and quantity surveyors. • These professionals play an indispensable role in the production of the built environment, and are crucial to the industry's ability to deliver infrastructure. • It calls on these professionals to provide imaginative thinking, to be at the cutting edge of technology, to exercise strategic managerial skills, and be skilled craftsmen in order to conceptualise and manage the delivery of the physical infrastructure, fundamental to the development of the community they serve. • Built environment professionals are renowned for their ability to add real value through devising physical solutions in response to their briefs, maximising the potential of the site, and overcoming planning and other constraints. • 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 must therefore ensure that they deliver physical infrastructure that is responsive to customers' needs.
3. **Independent Development Trust**	Deed of Trust as per the Trust Property Control Act, 1988 (Act No. 57 of 1988).	Supplementary funding support	Social Infrastructure Programme management services, e.g. schools, hospitals, courts.
4. **Agrément South Africa**	Agrément South Africa Act, 2015 (Act No. 11 of 2015)	Receives an annual grant from the national DPW	ASA is a world-class technical assessment agency whose primary role is undertaking technical assessments and certification of non-standard construction products in South Africa for which no national standard exists.

The CBE was established in terms of the CBE Act, 2000 (Act No. 43 of 2000). This Act was passed in Parliament in November 2000, along with the Acts regulating and re-establishing the six built environment professional councils (BEPCs). The Act became operational in September 2001, following the establishment of the six BEPCs for architects, engineers, landscape architects, project and construction managers, property valuers and quantity surveyors.

Some of the key functions assigned by the CBE Act include the following:

- Advise government on any matter falling within the scope of the built environment, including resource utilisation, socio-economic development, public health and safety and the environment, and, for this purpose, carry out such investigations as it or the relevant Minister deems necessary
- Facilitate interministerial cooperation concerning issues relating to the built environment
- Provide advice and consultation on national policy that could impact on the built environment, human resource development in relation to the built environment professions, and the recognition of new professions
- Comment, if necessary, on all proposed legislation impacting on health and safety in the built environment
- Advise the councils for the professions on matters of national importance where the needs of state, as communicated to the Council through the relevant Minister, require joint and coordinated action by the built environment professions
- Ensure the consistent application of policy by the councils for the professions with regard to accreditation, registration, the competence testing of registered persons, codes of conduct for the professions, principles for the determination of fees in accordance with any legislation relating to the promotion of competition, and standards of health, safety and environmental protection within the built environment
- Act as an appeal body with regard to matters referred to it in terms of law regulating the built environment professions

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 this annual report are consistent.
- The annual report is complete, accurate and is free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The annual financial statements (Chapter 5) have been prepared in accordance with the modified cash standard and the relevant frameworks and guidelines issued by National Treasury.

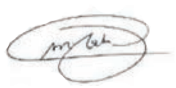
The Accounting Officer is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Officer is responsible for establishing and implementing a system of internal control that has been 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.

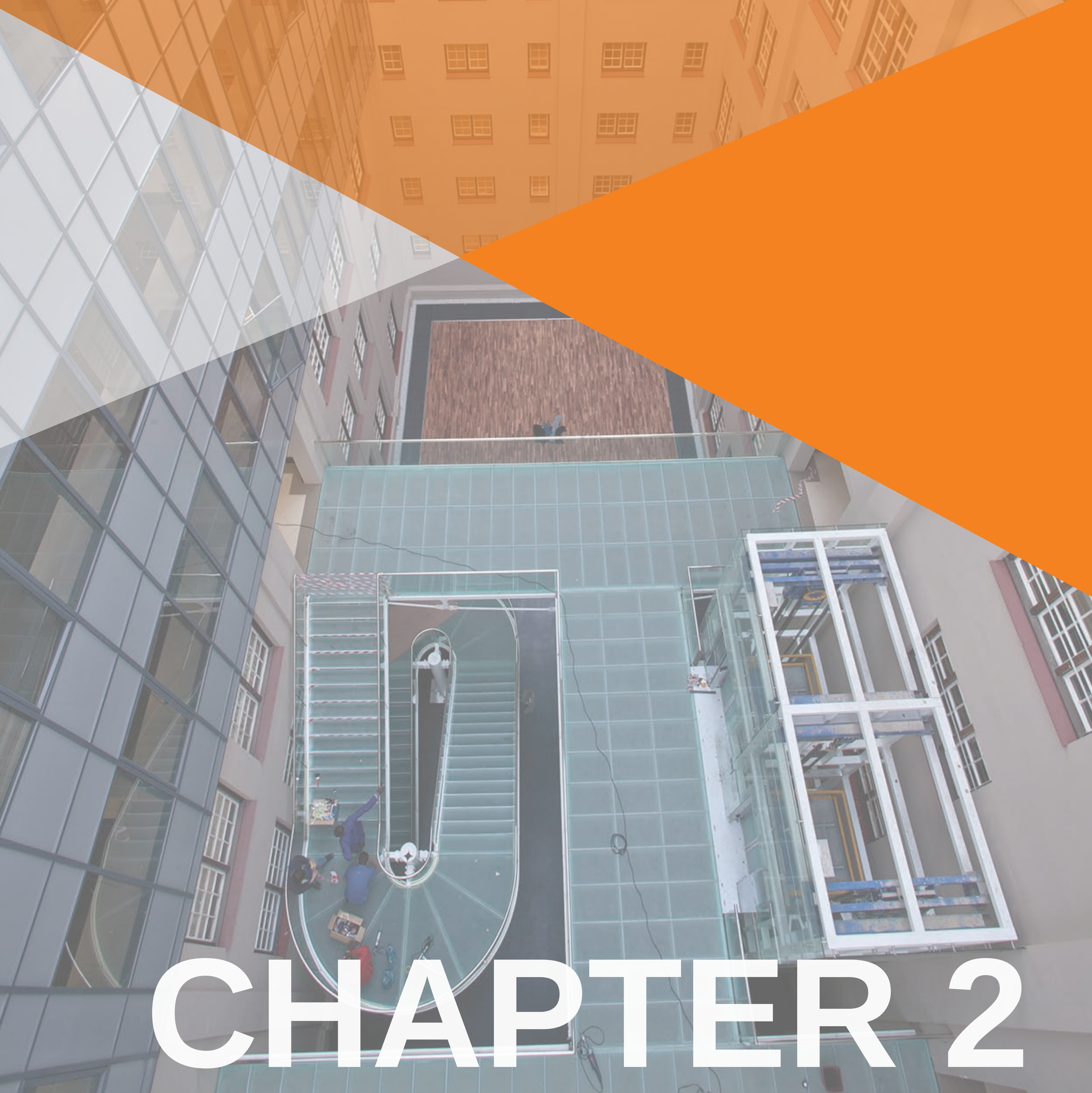
In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the Department for the financial year ended 31 March 2017

Yours faithfully



Accounting Officer

Mr Mziwonke Dlabantu



CHAPTER 2

PERFORMANCE INFORMATION

Part A: Department of Public Works (main vote)
Part B: Property Management Trading Entity (PMTE)

2.1 OVERVIEW OF DEPARTMENTAL PERFORMANCE

The Department has two entities: the main vote and the PMTE. The main vote is mainly a policy, coordinating work opportunities and providing technical support, and the management of intergovernmental relations among the spheres of government. The PMTE, on the other hand, focuses largely on construction project management, property management and facilities management. The programme structure of these entities is depicted below.

Table 2.1: Programme structure of the main vote and the PMTE

DPW programmes	PMTE programmes
Programme 1: Administration	Programme 1: Finance and Supply Chain Management
Programme 2: Intergovernmental Coordination	Programme 2: Real Estate Investment Management
Programme 3: Extended Public Works Programme	Programme 3: Construction Project Management
Programme 4: Property and Construction Industry Policy and Research	Programme 4: Real Estate Management
Programme 5: Prestige Policy	Programme 5: Real Estate Information and Registry Services
	Programme 6: Facilities Management

2.1.1 Overview of performance of the main vote

The performance of the main vote has been quite steady over the period under review, with two programmes facing significant challenges. These include Programme 4 (Property and Construction Industry Policy and Research) and Programme 5 (Prestige Policy). Programme 1: Administration, particularly Finance and SCM, are challenged on the payment of invoices within 30 days and the awarding of bids within the prescribed timeframes. The challenges relate to invoices withheld owing to internal approval as instructed by National Treasury. Programme 4 faced great challenges regarding the legal drafting of the various bills. While the performance of Programme 4 was weak in the first three quarters, performance picked up significantly in the fourth quarter, recording a 67% performance level. In terms of Programme 5, there was no change in performance level of 25% for almost all quarters. The prolonged consultative processes contributed to such levels of performance with regard to the development of Prestige Policies.

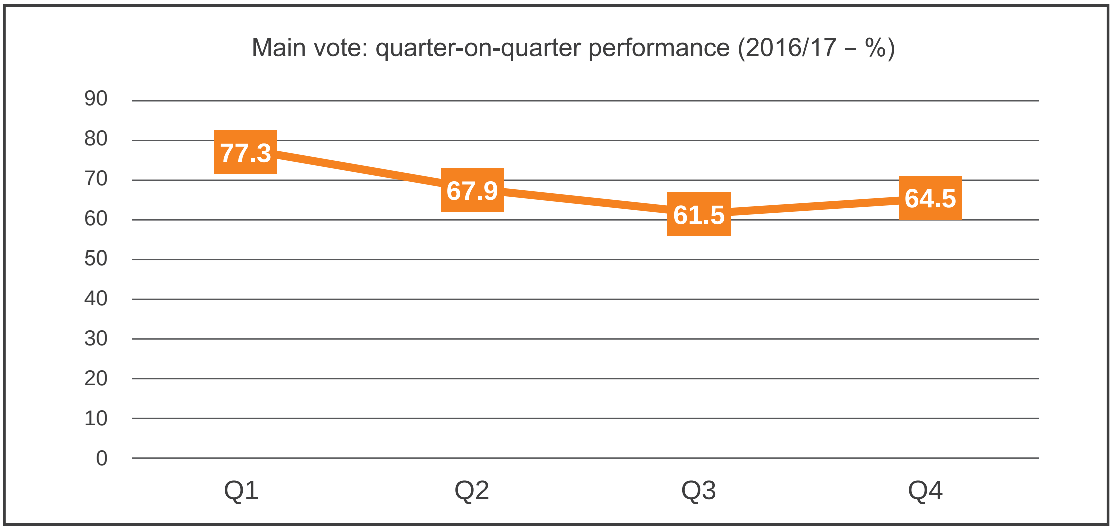


Figure 2.1: Quarter-on-quarter performance on the main vote

Figure 2.1 presents a quarter-on-quarter analysis. The quarterly performance for the main vote averages about 68% for the financial year under review. It should be noted that the changes in the level of performance over the quarters represents the difference with regard to the quantum of targets per quarter.

2.1.2 Overview of performance of the PMTE

The performance of the PMTE is slightly different from that of the main vote. It has six programmes that reflect the core mandate of the entity. Over the period under review, Programme 2: Real Estate Investment Management and Programme 5: Real Estate Information and Registry Services have maintained their performance at 100%. Programme 1: Administration, Programme 4: Real Estate Management and Programme 6: Facilities Management exhibited slowing performance levels over time. The slowing performance levels of these programmes contributed heavily to the overall performance of the PMTE. The weak performance of Programme 1 includes the non-development and systems integration for the financial model, non-compliance to the time period for the settlement of invoices paid within 30 days of receipt, and bids and quotations awarded within the prescribed timeframes. Programme 3: Construction Project Management started off slowly, but improved from the third quarter. However, the programme still faces challenges on approved infrastructure projects ready for tender and work opportunities under the EPWP projects. Programme 6 continues to face challenges with maintenance-related matters.

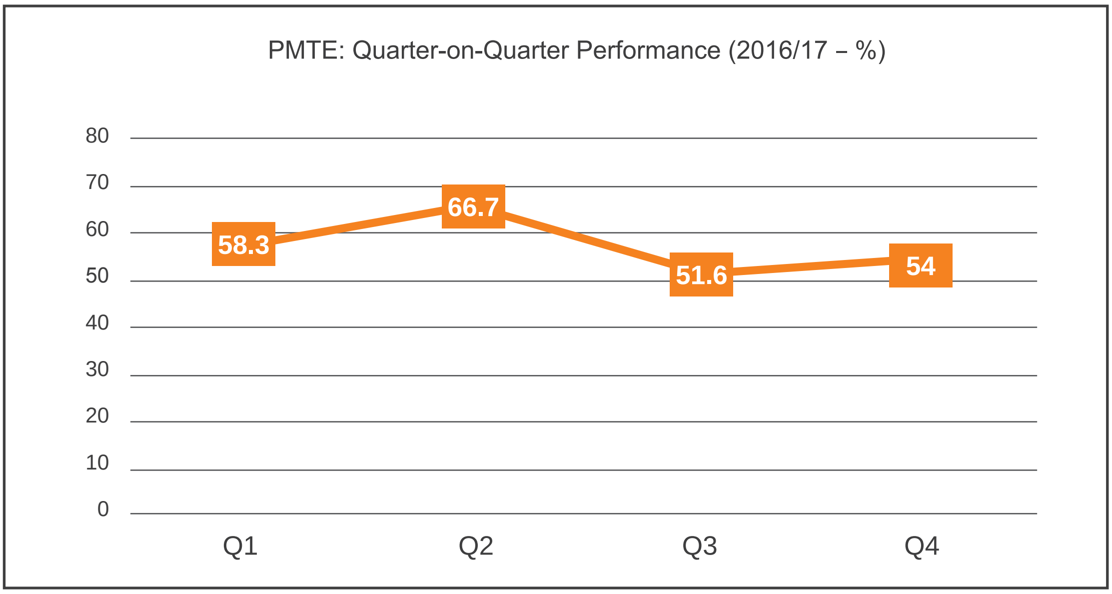


Figure 2.2: Quarter-on-quarter performance on the PMTE

Figure 2.2 presents a quarter-on-quarter analysis. The quarterly performance for the PMTE averages about 58% for the financial year under review. It should be noted that the changes in the level of performance over the quarters represents the difference in relation to the quantum of targets per quarter. Considering that the 2016/17 financial year represents the second year of the operationalisation of the PMTE, the performance has considerably improved.

2.1.3 Service delivery model

The Department has developed a Service Delivery Improvement Plan (SDIP) for the medium term. The Department has also commenced working towards the implementation of the service delivery operations or management framework developed by the DPSA. The framework puts in place the capacity for planning, developing, implementing and institutionalising service delivery tools, systems, processes, mechanisms and intervention programmes that are meant to improve and institutionalise quality service delivery to all. For the period under review, consultation took place with relevant stakeholders for service delivery inputs. These culminated in the development of terms of reference and project charters. The process is still ongoing and the service delivery models for the main vote and the PMTE will be completed in June 2017.

2.1.4 Organisational environment

The year under review has seen a number critical interventions that sought to enhance and strengthen the human resources (HR) planning and management support to the core business of the Department. These interventions were necessary because the Department continued to face scarcity of critical and technical professional skills in the built environment. This was evident in the area of policy development. On the intergovernmental front, various agreements for joint service delivery with provinces and municipalities were signed. This sought to improve the relations with spheres of government in interrelated matters pertaining the public works sector. To improve efficiencies, various systems had to be implemented. This saw two modules implemented for all users, such as Sage and Archibus, and training took place at Head Office and the Regional Office. Additional modules include GIS integration, Facilities Management Call Center and Movable Assets. While challenges still exist in the prestige environment on policies and response times to mechanical and electrical breakdowns, initiatives to improve these inefficiencies are underway.

The PMTE has finalised its revised organisational structure in collaboration with the DPSA and National Treasury. To ensure operational improvement, a direct accountability model has been adopted for each business area throughout the different functional areas. The PMTE has filled key strategic positions and placed various technical and professional experts in the property management environment. A solid foundation was established during the stabilisation phase of the turnaround, and significant progress has been made with regard to operationalising the entity.

These include the following:

- Successive improvements in audit outcomes
- The finalisation of a complete and credible IAR for the state
- Significant savings with the renegotiation of leases
- The development of a maintenance strategy that aims to improve the condition of properties
- Improvement in turnaround times for projects
- Separating the programme and organisational structures of the Department
- Better meeting the requirements of client departments, while contributing towards socio-economic priorities, particularly empowerment and job creation

Although all high-level arrangements, strategies and plans for the PMTE are now in place, business processes, activities, systems and policies are not yet adequately aligned to the high-level strategy of the PMTE and need to be effectively reviewed to realise the PMTE's goals and objectives. The PMTE also needs to fully comply with Treasury Regulation 19 (TR19) prior to the trading account being migrated to any new institutional form. In this regard, a status quo report, focusing on assessing the current PMTE progress and initiatives in addressing TR19 requirements, has been developed and an implementation plan will be implemented during 2017/18.

The PMTE business process review is underway and focuses on the consolidation of all existing business processes, their evaluation, the mapping of new processes, their piloting and eventual implementation. The programme that commenced in September 2016 includes the development of procedures required to support the business and will result in SOPs for each line function. The programme covers the PMTE's activities countrywide and encompasses all disciplines contained in the six PMTE programmes. The programme assimilates and ensures alignment with various other initiatives aimed at improving service delivery, such as National Treasury's procurement reform, the internal SCM reforms, the implementation of the Integrated Technology Platform and the capacitation of the new PMTE structure.

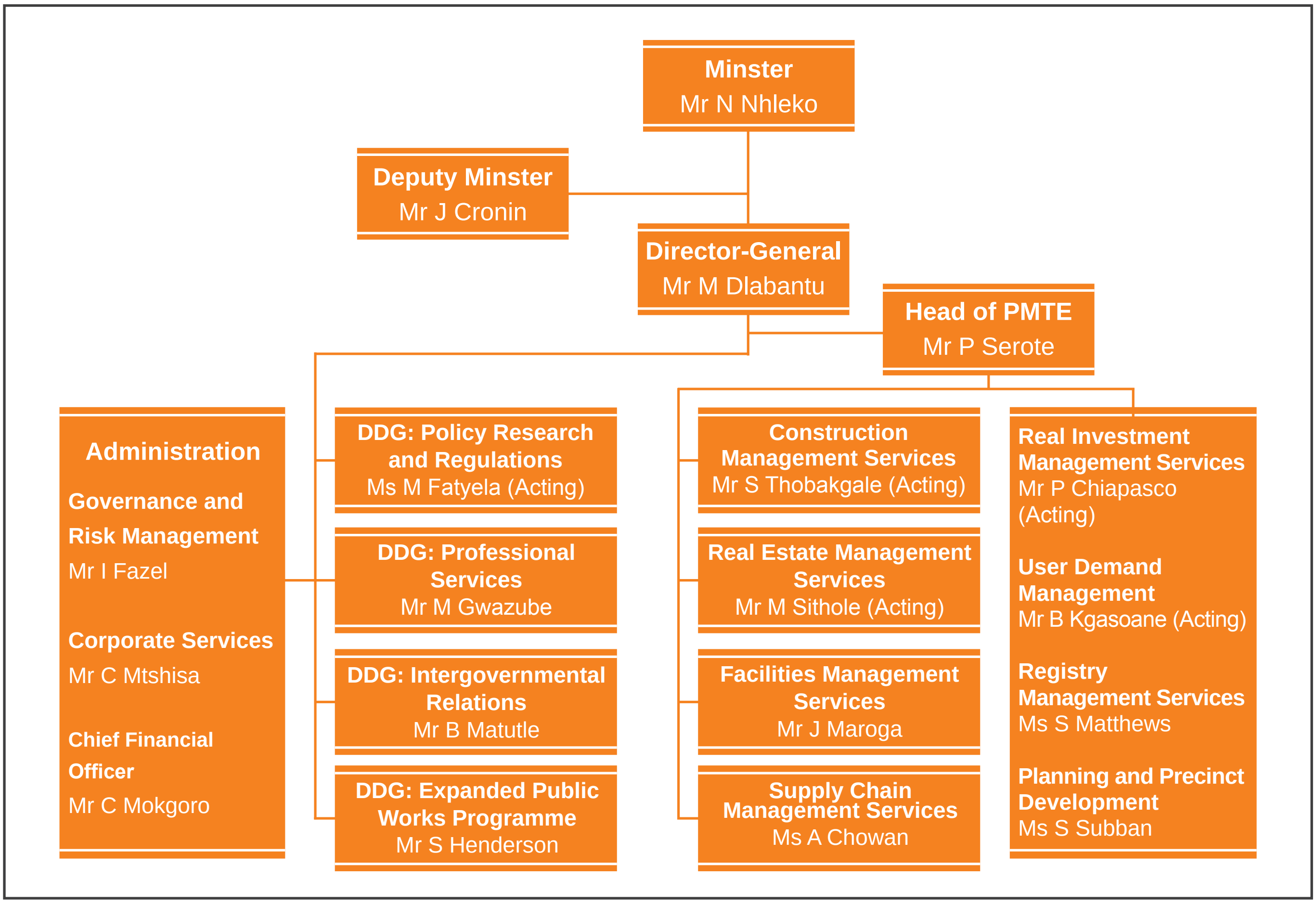


Figure 2.3: High-level organisational structure of the Department – main vote and the PMTE

Legislative and other mandates

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

Constitutional mandate

The constitutional mandate for the Department is provided in Schedule 4, Part 4, of the Constitution of the Republic of South Africa, Act No. 108 of 1996, 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 cooperative 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:

- 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.
- The Construction Industry Development Board Act, 2000 (Act No. 38 of 2000), provides for the establishment of the CIDB for the implementation of an integrated strategy for the reconstruction, growth and development of the construction industry and other matters connected thereto.
- 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 (CBE), the composition, functions, powers, assets, rights, duties and financing of that Council and for matters connected thereto.
- 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.
- 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.
- Other Acts listed in Annexure A.

Policy mandates

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

- *DPW White Paper: Public Works, towards the 21st century (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 has led to directing the Department to meet government's socio-economic objectives by becoming a client-orientated organisation that will focus on policy and service reform, property investment, property and facilities management, and the implementation of the programmes national DPW.

- *DPW White Paper: Creating an enabling environment for reconstruction, growth and development in the construction industry, 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 facilitate growth of the emerging construction sector.

- *Construction Sector Transformation Charter, 2006*

  The Charter (2006) aims to do the following:

  - 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, 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.
  - 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*

  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) (the B-BBEE Act) as these relate to the property sector and, in particular but without limitation, to do the following:

  - Promote economic transformation in the property sector to enable meaningful participation of black people and women.
  - Unlock obstacles to property ownership and participation in the property market by black people.
  - Promote property development and investment in under-resourced areas, which enhances basic infrastructure, encourages investment and supports micro and small enterprises.
  - Facilitate the accessibility of finance for property ownership and property development.

- *DPW Broad-based Black Economic Empowerment Strategy, 2006*

  This strategy guides the Department to give effect to the B-BBEE Act by addressing enterprise development, preferential procurement, skills development and employment equity.

- *Property Management Strategy on B-BBEE, Job Creation and Poverty Alleviation, 2007*

  The objective of this strategy is to do the following:

  - Address skewed property and equity ownership in the property industry in the country.
  - 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 and the IPAP by promoting sustainable development, reducing greenhouse gas emissions, promoting energy efficiency and stimulating new green industries.

2.2 PERFORMANCE INFORMATION OF THE DPW

Vision

Convenient access to dignified public services.

Mission

The Department is committed to the attainment of a transformed built environment sector by:
- Providing strategic leadership to the South African construction and property industries
- Establishing and ensuring compliance to policy and legislative prescripts for the:
  - management of state-owned and leased-in immovable assets; and
  - South African construction and property sectors
- Providing strategic direction on the integration of priorities of the DPW
- Contributing to the national goals of job creation and poverty alleviation through programmes of the DPW

Values

The Department's values align with the values espoused in the Constitution. The core values that underpin the culture of the Department are the following:
- Innovation: by tirelessly seeking opportunities for service delivery improvement by thinking without restraint and unconfined by old, non-functional, or limiting structures, rules, or practices.
- Integrity: by consistently honouring our commitments, upholding ethical, honest behaviour and transparent communication.
- Motivation: by ensuring our best efforts and actions toward the realisation of our organisational goals.
- Professionalism: by treating our clients with respect and delivering, reliably, against expectations.
- Accountability: by discharging our duties in a responsible manner in compliance with the relevant legislative prescripts.
- Results-orientated: by knowing what results are important and focusing resources to achieve them.
- Teamwork: by respecting our diversity, while sharing a common purpose and working in cooperation with each other.

Strategic outcome-orientated goals

In order to execute its mandate, the Department has identified five strategic outcome-oriented goals that define its direct service delivery responsibilities. These goals are to the following:
- Transform the construction and property sectors through the development of policy and legislative prescripts
- Provide oversight of the public works sector
- Provide an oversight role in the implementation of public employment programmes (PEPs) through EPWP standardised frameworks
- Oversee the efficient delivery of identified services to prestige clients
- Support service delivery in a smart, proactive and business-centric manner that is aligned to statutory requirements

The strategic goals, together with the goal statements, justification and links to other outcomes and the National Development Plan (NDP) are as follows:

Table 2.2: Strategic Outcome-oriented Goal 1

Strategic Goal 1	To transform the construction and property sectors through the development of policy and legislative prescripts
Goal statement	To provide leadership to the South African construction and property sectors, while ensuring transformation and regulation thereof through the development of the Public Works White Paper and the Public Works Act.
Programme name	Programme 4: Property and Construction Industry Policy and Research
Justification	The Department is responsible for regulating and promoting growth and transformation in the property and construction sectors.
Links	Through the development of legislation and best practices, the Department contributes to government-wide goals of transformation and skills development (Outcome 4 and Outcome 5).
Related strategic objectives	To research and develop policies and legislative prescripts for the construction and property sectors

Table 2.3: Strategic Outcome-oriented Goal 2

Strategic Goal 2	To provide oversight of the public works sector
Goal statement	To support the sector on concurrent functions through the Technical MinMEC sub-committees (IDMS, AIR, GIAMA, Property Management, Finance, Monitoring and Evaluation) for the coordinated and integrated implementation of priorities within the public works sector.
Programme name	Programme 2: Intergovernmental Coordination
Justification	Provinces are mainly responsible for implementation, in accordance with the nationally determined policy and implementation guidelines. To ensure the efficient delivery of concurrent functions, there must be proper coordination of policy, budgeting, planning, implementation and reporting within the public works sector.
Links	In accordance with Schedule 4, Part A and Part B, of the Constitution: Functional Areas of Concurrent National and Provincial Legislative Competence, all spheres of government and organs of state must collaborate to fulfil the legislative requirements for the effective, efficient, transparent, accountable and coherent delivery of services.[2]
Related strategic objectives	To ensure integrated planning and coordination of concurrent functions.

Table 2.4: Strategic Outcome-oriented Goal 3

Strategic Goal 3	To provide an oversight role in the implementation of PEPs through EPWP standardised frameworks.
Goal statement	Oversee the implementation of PEPs 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.
Programme name	Programme 3: Expanded Public Works Programme
Justification	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.
Links	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.
Related strategic objectives	• To monitor and evaluate the implementation of PEPs within the EPWP • To support non-profit organisations (NPOs) to implement PEPs within the EPWP in the non-state sector • To support public bodies to implement PEPs within the EPWP in the infrastructure, social, environment and culture sectors • To provide strategic guidance on sector convergence and implementation frameworks

Table 2.5: Strategic Outcome-oriented Goal 4

Strategic Goal 4	To oversee the efficient delivery of identified services to prestige clients
Goal statement	To set prestige policies, guidelines, norms and standards, and ensure the delivery of services to prestige clients in accordance with the relevant frameworks.
Programme name	Programme 5: Prestige Policy
Justification	The Department is required to provide movable and immovable assets to prestige clients in accordance with the Ministerial Handbook. These assets must be provided in the correct quantities, at the required time and within the allocated budget.
Links	Provide reasonable functional accommodation that facilitates the attainment of client departments' service delivery objectives.
Related strategic objectives	To improve the delivery of services to prestige clients.

[2] Republic of South Africa. 1996. Constitution of the Republic of South Africa, 1996: Part 4

Table 2.6: Strategic Outcome-oriented Goal 5

Strategic Goal 5	To support service delivery in a smart, proactive and business-centric manner that is aligned to statutory requirements.
Goal statement	Drive the efficiency enhancement phase (Phase II) of the turnaround strategy of the Department and the PMTE to improve efficiencies for rebuilding the Department by 2020.
Programme name	Programme 1: Administration
Justification	The turnaround strategy and its implementation is a prerequisite for the strategic performance of the Department and the PMTE. The turnaround strategy is based on the need to address critical and foundational aspects of service delivery, as well as to ensure immediate improvements that can be used to elicit further success.
Links	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 delivering consistently high-quality services.
Related strategic objectives	To improve the delivery of services to prestige clients.

2.2.1 Programme performance

The Department has five programmes. The performance of these programmes is depicted in the tables below.

Table 2.7: Performance programme and its purpose

Programme	Purpose
Programme 1: Administration	Provide strategic leadership, management and support services to the Department
Programme 2: Intergovernmental Coordination	Provide sound sectoral intergovernmental relations and strategic partnerships. Coordinate with provinces on the IAR, construction and property management, the implementation of GIAMA and reporting on performance information within the public works sector
Programme 3: Expanded Public Works Programme	Coordinate the implementation of the EPWP, which aims to create work opportunities and provide training for unskilled, marginalised and unemployed people in South Africa.
Programme 4: Property and Construction Industry Policy Regulation	Promote the growth and transformation of the construction and property industries. Promote a standardised approach and best practice in construction and immovable asset management in the public sector.
Programme 5: Prestige Policy	Provide norms and standards for the prestige accommodation portfolio and meet the protocol responsibilities for state functions.

Performance Grid

Green – Target achieved and beyond. It may be quantified as follows: anything achieved above 90% in terms of outputs/deliverables.	90% and above (excellent performance)
Yellow – Progress above 50% but not fully achieving the target. This means that some output/deliverable has been achieved, but not achieved fully as per the target. An example: achieving six projects out of 10 = 60%	50–89% (good performance)
Orange – Progress below 50% of target. This means that some activity has started, but has not yielded any output. It may also reflect completed activity, but that is not output. An example: compiling stakeholder management inputs towards the final draft document etc.	11–49% (weak performance)
Red – No achievement at all – nothing was done at all and may be qualified as follows: anything between 0–10%	0–10% (poor performance)

Strategic objectives

The following information represents the performance of the Department's strategic objectives:

Strategic objectives	Objective indicator	Actual achievement 2015/16	Planned five-year strategic target 2018/19	Actual achievement (cumulative 2014/15-2016/17)	Deviation from five-year strategic target 2018/19	Comments on deviations
To improve governance processes within the Department and the PMTE	Percentage of compliance of management practices as per the MPAT	71%	100% of compliance of management practices as per the MPAT	66% compliance of management practices as per the MPAT	34% In some areas, the Department has not fully matured to meet the standards	Developed an MPAT Low Score Improvement Plan that seeks to improve MPAT scores over time
To combat fraud and corruption within the Department and PMTE	Percentage change in fraud and corruption risk levels	38%	85% reduction in fraud and corruption risk levels	69% reduction in fraud and corruption risk levels	-16%	–
To provide a compliant internal control, financial and SCM service	Audit outcome for the DPW	Unqualified audit outcome with two negative emphases of matter 2015/16	Clean audit outcome	Unqualified audit outcome with one negative emphases of matter 2015/16	–	Efforts in progress toward a clean audit outcome
To facilitate organisational transformation through effective performance management	Integrated HR Plan developed	Organisational structures for the DPW and PMTE were submitted to DPSA	An integrated HR plan for the DPW and PMTE developed annually	The performance of the first two years of the five-year strategic plan reflected an accumulative achievement of 1 012 appointments. The third year reflected a slight decline due to the focus on the review of the organisational structure. The achievement rate was 69% (94 of 137) positions filled within four months from the date of advertisement as per the approved Recruitment Plan.	The overall achievement was tempered by the work to review the organisational structure. This had the effect that contract appointments had to be considered alongside the migration (through matching and placement) of personnel to the new approved organisational structure. The matching and placement process had to be concluded and the resultant vacancies could then be filled after advertisements.	–

Strategic objectives	Objective indicator	Actual achievement 2015/16	Planned five-year strategic target 2018/19	Actual achievement (cumulative 2014/15-2016/17)	Deviation from five-year strategic target 2018/19	Comments on deviations
To provide an enterprise ICT architecture to support all business functions	Integration of business systems for PMTE	Completed multi-tier hardware infrastructure upgrade	An integrated business system for PMTE	The upgrade of the multi-tier ICT infrastructure has been completed An integrated business system for the PMTE has been developed and signed off for the IAR, Movable Asset Management and Facilities Management	The Infrastructure Project Management module has not been completed	The Infrastructure Project Management will be implemented using agile development methodology.
To protect the interests of the Department by providing legal services	Percentage of litigation cases managed within the period stipulated by court procedures	–	100% of all litigation cases managed within the period stipulated by court procedures	The achievement rate in the first two years of the five-year Strategic Plan was 100% and this steadily dropped in the third year to 98.88%.	The deviation in the third year leg of the Strategic Plan was due to the Office of the State Attorneys drawing the attention of the Department to the actions instituted against it and further failed to file a notice of intention to defend.	The Department intends to mitigate this by concluding a Memorandum of Understanding (MOU) with the Office of the Sheriff of the Court to ensure that the Department is also served with court processes (summons, notice of motions, etc.).

Programme 1: Administration					
Performance indicator	**Actual achievement 2015/16**	**Planned annual target 2016/17**	**Actual achievement 2016/17**	**Deviation from planned annual target to actual achievement 2016/17**	**Comments on deviations**
Strategic objective: To improve governance processes within the Department and PMTE					
Average score for management practices	Average score of 2.86 (measured by an index score) for management practices	Average score of 3.5 for management practices (detailed MPAT report)	Average score of 2.9 (measured by an index score) for management practices	Target not achieved 0.6 Although performance improved year on year, due to changes in the number of standards, the index was affected.	An MPAT Low Score Improvement Plan has been developed to improve the MPAT overall scores
Completed service delivery model for the Department	–	Service delivery model for the Department completed	Service delivery model for the Department not yet completed	Target not achieved Prolonged engagement processes with relevant stakeholders	Service delivery model in the process of being developed and will be completed by the end of June
Completed compliance model for the establishment of a compliance function for the Department	–	Compliance model tabled at Executive Committee (EXCO) for approval	Compliance model tabled at EXCO for approval	Target achieved	No comment on deviation
Sub-programme: Fraud and Awareness					
Strategic objective: To combat fraud and corruption within the Department and PMTE					
Percentage of investigations initiated within 30 days in respect of validated allegation	100% of investigations initiated within 30 days of reported allegations	100% of investigations initiated within 30 days in respect of validated allegation	100% of investigations initiated within 30 days of reported allegations	Target achieved	–
Percentage change of fraud and corruption risk levels	38% reduction in fraud and corruption risk achieved	32 fraud awareness workshops concluded within DPW and PMTE	37 fraud awareness workshops concluded within DPW and PMTE	Target achieved	–
Number of interventions recommended resulting from fraud risk management	–	Four interventions recommended for the mitigation of fraud risks within DPW and PMTE	Two interventions recommended for the mitigation of fraud risks within DPW and PMTE	Target achieved -2 No detection reviews undertaken in the fourth quarter. Further investigations on the previous detection reviews conducted	Detection reviews to be conducted during the second quarter of 2017/18.

Programme 1: Administration					
Sub-programme: Finance and Supply Chain Management					
Strategic objective: To provide a compliant internal control, financial and supply chain management service					
Performance indicator	**Actual achievement 2015/16**	**Planned annual target 2016/17**	**Actual achievement 2016/17**	**Deviation from planned annual target to actual achievement 2016/17**	**Comments on deviations**
Strategic objective: To improve governance processes within the Department and PMTE					
Percentage change in the irregular expenditure baseline	44% reduction of the irregular expenditure baseline	50% reduction of the irregular expenditure baseline	55% (R203 177 799.06) reduction of the irregular expenditure baseline (R368 039 000)	Target achieved	–
Percentage of compliant invoices paid within 30 days	75% of compliant invoices settled within 30 working days	100% of compliant invoices paid within 30 days	90% of complaint invoices settled within 30 working days	Target not achieved -10% Invoices in the process of verification are not submitted timeously for payment.	Increased management oversight over long-outstanding orders and unpaid invoices. Letters sent to officials not complying with procedures
Percentage of bids awarded within prescribed timeframes	78% of bids awarded within 56 working days of closure of tender advertisement	75% of bids awarded within 56 working days of closure of tender advertisement	49% of bids awarded within 56 working days of closure of tender advertisement	Target not achieved Committee members due to inordinate workloads to conclude on evaluation processes within the stipulated time. Risk assessment processes that take a long time. Inadequate capacity within the infrastructure and SCM units that would ensure compliance to the turnaround time. Security clearance that delays the award process.	Lapse all tenders that do not comply with and are not evaluated within the 56-day turnaround time. Capacitate all the infrastructure units to enable compliance. Implement the SCM User Manual that defines service level agreements. Establish framework agreements to accelerate service delivery.
Percentage of quotations awarded within agreed timeframes	New target	85% of quotations awarded within 30 days from requisition date	83% of quotations awarded within 30 days from requisition date	Target achieved	–

Programme 1: Administration					
Sub-programme: Corporate Services					
Performance indicator	**Actual achievement 2015/16**	**Planned annual target 2016/17**	**Actual achievement 2016/17**	**Deviation from planned annual target to actual achievement 2016/17**	**Comments on deviations**
Strategic objective: To facilitate organisational transformation through effective performance management					
Percentage of funded prioritised vacancies filled as per Recruitment Plan	100% of funded prioritised vacancies filled – 603 appointments made, 107 promotions	100% of funded prioritised vacancies filled within four months of the date of advertisement	69% (94 of 137) positions filled within four months of the date of advertisement as per approved Recruitment Plan An additional 25 positions advertised in the 2015/16 financial year were filled during period under review	Target not fully achieved -31% (43 of 137 filled) Moratorium on the filling of positions pending the finalisation of migration process to the new organisational structures through matching and placement	Review period of filling positions to six months from date of advertising aligned to the DPSA. Finalisation of the matching and placement process.
Percentage of personnel trained as per the Workplace Skills Plan (WSP)	–	60% of officials trained as per the WSP for DPW and PMTE	103% (538 employees) were trained	Target over-achieved	Delegates and supervisors needed to prioritise training
Number of beneficiaries participating in the DPW's skills development programme	1 294 beneficiaries participating in the DPW's skills development programme • 90 young professionals • 700 interns • 319 learnerships • 52 management trainees • 133 programme artisans	1 067 beneficiaries participating in the DPW's skills development programme	1 542 beneficiaries participating in the DPW's skills development programme • 54 young professionals • 108 artisan trainees • 525 interns • 690 learnerships • 164 bursary holders • 1 management trainees	Target over-achieved	Target exceeded as a results of funding commitments and receipts from PMTE and the Construction Education and Training Authority (CETA)
Strategic objective: To provide an enterprise ICT architecture to support all business functions					
Number of property management modules implemented	–	Two modules implemented for PMTE (Asset Register and Lease)	The two modules planned for implementation have been achieved with all users trained at Head Office and Regional Office. Additional modules achieved include GIS Integration, Facilities Management Call Center and Movable Assets	Target achieved	–

Programme 1: Administration					
Sub-programme: Corporate Services					
Performance indicator	**Actual achievement 2015/16**	**Planned annual target 2016/17**	**Actual achievement 2016/17**	**Deviation from planned annual target to actual achievement 2016/17**	**Comments on deviations**
Strategic objective: To protect the interests of the Department by providing legal services					
Percentage of default judgments against the Department prevented	100% of default judgments against the Department prevented	100% of default judgments against the Department prevented	98.88% of default judgments against the Department prevented	Target achieved State Attorney had challenges in defending two cases timeously	The deviation was due to the Office of the State Attorney drawing the attention of the Department to the actions instituted against it and further failing to file a notice of intention to defend.
Percentage of reported fraud and corruption misconduct cases subjected to disciplinary processes	100% (7 of 7) of reported fraud and corruption cases subjected to disciplinary processes • 4 finalised • 3 pending finalisation of disciplinary hearings	100% of reported fraud and corruption misconduct cases subjected to disciplinary processes	100% (7 of 7) reported fraud and corruption misconduct cases subjected to disciplinary processes • Status of cases: 3 finalised (two dismissals and one suspension without pay for period of two months) • 1 pending Chairperson's report • 2 pending finalisation of disciplinary hearings • 1 case pending further investigation from FAI.	Target achieved	–

Programme 2: Intergovernmental coordination					
Strategic objective: To ensure integrated planning and coordination of concurrent functions					
Performance indicator	**Actual achievement 2015/16**	**Planned annual target 2016/17**	**Actual achievement 2016/17**	**Deviation from planned annual target to actual achievement 2016/17**	**Comments on deviations**
Number of intergovernmental relations forums convened for oversight of the public works sector	14 intergovernmental forums convened	12 intergovernmental relations forums convened for oversight of the public works sector	11 intergovernmental forums convened	Target not achieved -1 MinMEC meeting was not convened during the fourth quarter	The matter will be addressed in line with the corporate planner in the following financial year
Number of agreements signed for joint service delivery with provinces and municipalities	–	10 agreements signed for joint service delivery with provinces and municipalities	10 agreements signed for joint service delivery with provinces and municipalities	Target achieved	–
Number of reviews conducted on the intergovernmental governance structures	–	Two reviews conducted on the intergovernmental governance structures	Two survey reviews conducted	Target achieved	–
Number of corporate plan risk assessments conducted on public entities	–	Four corporate plan risk assessments conducted on public entities	Four corporate plan assessments conducted on DPW entities	Target achieved	–

Programme 3: Expanded Public Works Programme					
Performance indicator	**Actual achievement 2015/16**	**Planned annual target 2016/17**	**Actual achievement 2016/17**	**Deviation from planned annual target to actual achievement 2016/17**	**Comments on deviations**
Strategic objective: To monitor and evaluate the implementation of PEPs within the EPWP					
Number of quarterly reports on PEPs completed	–	Four quarterly reports completed on PEPs within the EPWP	Four quarterly reports completed on PEPs within the EPWP	Target achieved	–
Number of data quality assessment reports produced	–	Two data quality assessment reports produced	Two data quality assessment reports produced	Target achieved	–
Strategic objective: To support NPOs to implement PEPs within the EPWP in the non-state sector					
Number of NPOs contracted to implement the non- state sector: NPOs Programme	–	300 NPOs contracted for the implementation of the non-state sector: NPOs Programme	386 NPOs contracted for the implementation of the non-state sector: NPOs programme	Target over-achieved +86 The target was overachievement as the national allocation was shared with provinces to maximise the impact of the allocation towards creating more work opportunities. This resulted in additional NPOs being contracted	–
Strategic objective: To support public bodies to implement PEPs within the EPWP in the infrastructure, social, environment and culture sectors					
Number of public bodies provided with technical support	–	290 public bodies provided with technical support	297 public bodies provided with technical support	Target over-achieved +7 The over-achievement was due to the support provided to the provincial departments in the environment and culture sector.	–
Strategic objective: To provide strategic guidance on sector convergence through the development of an implementation framework					
Number of frameworks on the sector convergence approved	–	One framework on the sector convergence approved (recruitment guidelines of EPWP participants)	No framework on the sector convergence approved (recruitment guidelines of EPWP participants)	Target not achieved -1 The recruitment guidelines document was routed for approval, but was returned to address comments.	In the process of following up with the relevant office to address the comments

Programme 4: Property and Construction Industry Policy and Research					
Sub-programme: Property and Construction Industry Policy and Research					
Strategic objective: To research and develop policies and legislative prescripts for the construction and property sector					
Performance indicator	**Actual achievement 2015/16**	**Planned annual target 2016/17**	**Actual achievement 2016/17**	**Deviation from planned annual target to actual achievement 2016/17**	**Comments on deviations**
Public Works White Paper developed	The Draft Public Works White Paper has not been developed or gazetted for public comment	Draft Public Works White Paper gazetted for public comment	The Draft White Paper has not yet been developed and could therefore not be gazetted	Target not achieved Department does not have required capacity or full spectrum of expertise required to undertake project. Procurement strategies to secure a service provider to assist with project (open tender and negotiated procedure) did not yield favourable results.	Preparatory work for insourcing of essential skills and capacity for White Paper project (secondment of core team convenor and requisite subject matter experts)
Review of the CIDB Act	–	Draft CIDB Amendment Bill developed for consultation	Draft CIDB Amendment Bill developed towards consultation with stakeholders	Target not achieved	Consultation in progress
Revised Built Environment Professions (BEP) Policy	–	Revised Built Environment Professions (BEP) Policy submitted for Minister approval	Draft CBE Amendment Bill developed towards consultation with stakeholders	Target not achieved The Department has progressed with the development of the Bill	Document under construction

Programme 5: Prestige Policy					
Strategic objective 1: To improve the delivery of services to prestige clients					
Performance indicator	**Actual achievement 2015/16**	**Planned annual target 2016/17**	**Actual achievement 2016/17**	**Deviation from planned annual target to actual achievement 2016/17**	**Comments on deviations**
Number of Prestige policies approved	Policy guidelines on installation, management and maintenance of security infrastructure at national key points developed Policy guidelines on implementation of security measures for members of the judiciary developed	Four Prestige policies approved	No Prestige policy has been developed	Target not achieved Lack of research capacity	In the process of enhancing the research capability resource to meet the target
Number of working days taken to resolve mechanical breakdowns after logging of complaint	–	20 working days to resolve mechanical breakdowns after logging of complaint by prestige clients	7 736 out of 15 567 requests were completed within 20 working days.	Target not achieved Not all requests could be attended to within the targeted times due to access challenges or parts being placed on order and arriving after the designated targeted timeframe.	Ensure that routine checks or inspections are carried out regularly.
Number of working days taken to resolve emergency breakdowns after logging of complaint	–	Four working days to resolve emergency breakdowns after logging of complaint by prestige client	6 372 out of 14 354 requests were completed within four days.	Target not achieved Not all requests could be attended to within the targeted times due to access challenges or parts being placed on order and arriving after the designated targeted timeframe.	Ensure that routine checks or inspections are carried out regularly.
Number of planned state events supported with movable structures	17 state events supported with movable infrastructures	Eight planned state events supported with movable structures	13 state events supported with movable infrastructure	Target over-achieved Eight planned and five unplanned state events.	–

Table 2.8: Linking the performance with budget for the main vote

Programme	2016/17				2015/16		
	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage	Final appropriation	Actual expenditure	Expenditure as a percentage
	R'000	R'000	R'000	%	R'000	R'000	%
Administration	516 006	450 444	65 562	87.3%	480 334	479 150	99.8%
Intergovernmental Coordination	28 639	16 477	12 162	57.5%	46 015	44 748	97.2%
Expanded Public Works Programme	2 319 500	2 301 446	18 054	99.2%	1 953 369	1 939 908	99.3%
Property And Construction Industry Policy and Research	3 553 089	3 547 048	6 041	99.8%	3 742 985	3 735 387	99.8%
Prestige Policy	95 565	87 931	7 634	92.0%	89 519	81 954	91.5%
Total	**6 512 799**	**6 403 346**	**109 453**	**98.3%**	**6 312 222**	**6 281 147**	**99.5%**

Departmental spending for the period under review is R6.403 billion, which represents 98.3% of the adjusted budget of R6.513 billion. Underspending of R109 million is attributed to compensation of employees, goods and services, and machinery and equipment.

Spending per programme and economic classification is discussed below:

Programme 1: Administration

The underspending of R66 million in Programme 1 relates to the following:

- Compensation of employees' underspending of R13 million resulted from positions remaining vacant during the financial year, and not being filled due to the review of the organisational structure.
- Goods and services' underspending of R45 million was mainly due to lower municipal services costs resulting from the implementation of the energy and water efficiency programme. The full implementation of the cost containment initiative as directed by National Treasury also contributed to a saving in travel and subsistence, communication and advertising expenditure. In line with the improved audit outcomes in the previous financial years, departmental spending on audit fees decreased significantly due to the associated lower risk.
- Machinery and equipment's underspending of R6.8 million was due to a delay in the planned acquisition of assets.

Programme 2: Intergovernmental Coordination

The underspending of R12 million in Programme 2 relates to the following:

- Compensation of employees' under-spending of R6.3 million is mainly due to the delay in capacitating the newly established Professional Services and Intergovernmental Coordination branches in line with the revised approved organisational structure.
- Goods and services' underspending of R3.8 million is due to low spending on planned activities for the newly established branches resulting from delay in filling of vacant positions.
- Machinery and equipment's underspending of R1.7 million is due to delay in planned acquisition of assets resulting from unfilled vacant positions for the newly established branches.

Programme 3: Expanded Public Works Programme

Underspending of R18 million (equivalent to 0.8%) mainly relates to goods and services. The underspending was due to a delay in the implementation of the social, environment and culture projects.

Programme 4: Property and Construction Industry Policy and Research

Underspending of R5.8 million in Programme 4 was on compensation of employees due to vacant positions that were not filled during the financial year.

Programme 5: Prestige Policy

Underspending in Programme 5 related to R5 million for compensation of employees due to vacant positions in the branch that were only filled in the latter part of the financial year. Machinery and equipment underspent by R2.6 million.

2.2 PERFORMANCE INFORMATION OF THE PROPERTY MANAGEMENT TRADING ENTITY

Vision

Convenient access to dignified public services.

Mission

Effective management of the state's immovable assets to contribute towards economic and social development and transformation of the built environment.

Values

We align our values with the Constitution, as underpinned by the following culture drivers:
- Innovation: by tirelessly seeking opportunities for service delivery improvement by thinking freely and not being bound by old, non-functional or limiting structures, rules and practices.
- Integrity: by consistently honouring our commitments, upholding ethical, honest behaviour through transparent communication.
- Motivation: by having an attitude that brings out our best efforts and actions towards the realisation of organisational goals.
- Professionalism: by treating our clients with respect and reliably delivering against expectations.
- Accountability: by discharging our duties in a responsible manner in compliance with the relevant laws.
- Results-orientated: by knowing what results are important and focusing resources to achieve them.
- Teamwork: by respecting diversity while sharing a common purpose and working together in cooperation with each other.

2.2.1 Programme performance

The Property Management Trading Entity Department has six programme,s and the performance of these programmes is depicted in the tables below.

Table 2.9: Performance in the programme and its purpose

Programme	Purpose
Programme 1: Management	To provide leadership, strategic management, governance and administrative support to the PMTE.
Programme 2: Real Estate Investment Management	To achieve an efficient and competitive real estate portfolio for the state through effective planning, analysis and informed investments.
Programme 3: Construction Project Management	To provide effective and efficient delivery of accommodation needs for the DPW and client departments through construction and other infrastructure improvement programmes.
Programme 4: Real Estate Management Services	To provide and manage the real estate portfolio in support of government's social, economic, functional and political objectives.
Programme 5: Real Estate Information and Registry	To develop and manage a complete, accurate and compliant IAR to meet service delivery objectives for the state, the DPW's and the PMTE's business requirements.
Programme 6: Facilities Management	To ensure that immoveable 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.

Programme 1: Administration

Sub-programme : Finance and Supply Chain Management

Performance indicator	Actual achievement 2015/16	Planned annual target 2016/17	Actual achievement 2016/17	Deviation from planned annual target to actual achievement 2016/17	Comments on deviations
Strategic objective: To provide compliant internal controls and financial services					
Approved financial model	–	PMTE financial model approved	PMTE financial model not approved	Target not achieved None of the bids received for the first tender met the minimum functional requirements	Re-advertisement of tender during the fourth quarter for the final model to be developed and approved during the second quarter of 2017/18.
Percentage of compliant invoices settled within 30 days of receipt of invoice	85% of invoices paid within 30 days of receipt	100% of compliant invoices settled within 30 days of receipt of invoice	87% of compliant invoices settled within 30 days	Target not achieved Invoices in the process of verification are not submitted timeously for payment.	Increased management oversight over long-outstanding orders and unpaid invoices. Letters sent to officials not complying with procedures
Strategic objective: To provide compliant SCM services					
Percentage reduction in non-compliance to SCM prescripts	–	30% reduction in non-compliance to SCM prescripts	98% reduction in non-compliance to SCM prescripts	Target achieved	–
Percentage of bids awarded within the prescribed timeframes	18% of bids awarded within 56 working days of closure of tender No new private leases were put out for tender during the year	60% of bids awarded within the prescribed timeframes	31% of bids awarded within the prescribed timeframes	Target not achieved Possible delay between draft tender and Bid Specifications Committee. Appointed consultants were terminated because of non-performance. The project manager is in the process of appointing a new service provider.	Lapse all tenders that do not comply with and are not evaluated within the 56-day turnaround time. Capacitate all the infrastructure units to enable compliance. Establish framework agreements to accelerate service delivery.
Percentage of quotations awarded within agreed timeframes	–	85% of quotations awarded within 30 days of requisition date	75% of quotations awarded within 30 days of requisition date	Target not achieved Non-compliant requisitions, wrong specifications, unplanned requisitions and negative supplier response contributed to the delays.	Implement term contracts for frequently utilised commodities.

Programme 2: Real Estate Investment Management					
Performance indicator	**Actual achievement 2015/16**	**Planned annual target 2016/17**	**Actual achievement 2016/17**	**Deviation from planned annual target to actual achievement 2016/17**	**Comments on deviations**
Sub-programme: User Demand Management					
Strategic objective: To ensure user asset management plans are produced in compliance with relevant prescripts					
Number of UAMPs received	42	42 UAMPS received	42 UAMPS received	Target achieved	–
Number of signed-off infrastructure work lists	–	10 signed-off infrastructure work lists	Nine signed-off infrastructure work lists	Target not achieved DCS did not approve work list	Engaging DCS to obtain approval of work list
Sub-programme: Planning and Precinct Development					
Strategic objective: To direct precinct planning and development for national government in urban and rural areas					
Number of government precinct development proposals integrated with identified municipal (urban and rural) IDPs	Two precinct development proposal reports completed: Northern Gateway and Southern Gateway • Two precinct development proposal reports completed: one for Mmabatho and one for Mbombela • Two precinct development proposals completed: one for Mandeni and one for Mount Fletcher.	Two government precinct development proposals integrated with identified (urban and rural) IDPs	Two precinct development proposal reports completed for Howick and Durban Centrum site	Target achieved	–
Number of sites established for development	–	Three sites established for development	Three sites established for integrated precinct development	Target achieved	–
Number of concept designs completed for identified client departments	–	Three concept designs completed for identified client departments	Five concepts have been completed for client departments.	Target over-achieved +2 Concepts were required. However, due to precinct development and the creation of clustered precincts in the urban and rural areas, the concept for the Department of Labour (DOL), the DHA and the South African Social Security Agency (SASSA) were done collectively to allow for shared services.	–

Programme 2: Real Estate Investment Management					
Performance indicator	**Actual achievement 2015/16**	**Planned annual target 2016/17**	**Actual achievement 2016/17**	**Deviation from planned annual target to actual achievement 2016/17**	**Comments on deviations**
Sub-programme: Real Estate Investment Management					
Strategic objective: To inform asset management decisions through optimal investment solutions					
Percentage of feasibility studies completed within scheduled timeframes	100% preliminary investment decisions approved within three months of the date of request (25 of 25 requests) 100% of investment solutions for construction approved within 24 months from date of request (15 of 15 requests) One backlog investment solution approved 100% of investment solutions for refurbishments approved within six months of the date of request (12 of 12 requests) Three backlog investment solutions approved 100% of investment solutions for leasehold and surplus freehold approved within one month of the date of request (45 of 45 requests) 59 backlog investment decisions approved	80% of feasibility studies completed within scheduled timeframes	82% (230 of 280) of feasibility studies completed within scheduled timeframes	Target achieved Information was easily accessible from the external dependencies	–

Programme 2: Real Estate Investment Management					
Performance indicator	**Actual achievement 2015/16**	**Planned annual target 2016/17**	**Actual achievement 2016/17**	**Deviation from planned annual target to actual achievement 2016/17**	**Comments on deviations**
Percentage of valuations completed within scheduled timeframes	–	80% pf valuations completed within scheduled timeframes	83% (290 of 350) of valuations completed within scheduled timeframes	Target achieved +3% Information was easily accessible from the external dependencies	–
Strategic objective: To manage the performance of the immovable asset portfolio so as to ensure appropriate investment decisions					
Percentage of responsive disposal requests approved within scheduled timeframes	3% of disposal certificates of approval issued within six months of the date of request (1 of 34 requested land parcels) Backlog disposal certificates approved for 26 land parcels	80% of disposal requests approved within scheduled timeframes	36% (34 of 95) of disposal requests approved within scheduled timeframes	Target not achieved -44% Comprehensive technical investigations are required to inform disposal recommendations Complex land issues relating to ownership, rights, obligations that need to be resolved before a disposal can be recommended The shift from gratis to remunerated basis of disposal in alignment with the PMTE's income-generation requirements necessitated extensive interaction with requesting departments and their sourcing of funding	Fast-track and finalise technical investigations, funding agreements and relevant disposal submissions for outstanding projects
Number of CAMPs approved	–	One CAMP approved	One CAMP approved	Target achieved	–
Number of buildings' performance assessed in identified performance areas	Three performance reports on the performance of identified buildings Two reports on the performance of 10 freehold and leasehold buildings measured against industry standards	400 buildings' performance assessed in identified performance areas	478 buildings' performance assessed in identified performance areas.	Target over-achieved Information was easily available from all relevant stakeholders	–

Programme 3: Construction Project Management					
Performance indicator	**Actual achievement 2015/16**	**Planned annual target 2016/17**	**Actual achievement 2016/17**	**Deviation from planned annual target to actual achievement 2016/17**	**Comments on deviations**
Strategic objective: To develop detailed construction plans that direct the execution of construction projects					
Number of approved infrastructure project designs	–	300 approved infrastructure project designs	210 approved infrastructure project designs	Target not achieved -90 Delays regarding designs due to drawings and needs assessments reviews	Unbundling of multiple-facilities projects' designs for streamlined monitoring
Number of approved infrastructure projects ready for tender	–	406 approved infrastructure projects ready for tender	144 approved infrastructure projects ready for tender	Target not achieved -262 Delays in completing tender documents due to delays relating to completion of designs	Unbundling of multiple-facilities projects' tender documents for efficient processing
Number of infrastructure sites handed over for construction	–	216 infrastructure sites handed over for construction	186 infrastructure sites handed over for construction	Target not achieved -30 Contractual processes after award of tenders slow	Educate contractors on returnable documents
Number of IPMPs for new construction projects submitted to the Project Management Office (PMO)	–	Three IPMPs for new construction projects submitted to the PMO	Six IPMPs for new construction projects submitted to the PMO	Target over-achieved	Overachievement as a result of review of major clients amounting to six client departments
Number of IPIPs for new construction projects submitted to the PMO	–	Three IPIPs for new construction projects submitted to the PMO	Six IPIPs for new construction projects submitted to the PMO	Target over-achieved	Overachievement as a result of review of major clients amounting to six client departments
Strategic objective: To ensure that construction programmes are implemented according to approved criteria					
Percentage of infrastructure projects completed within agreed construction period	202% (125/62*100)	60% of infrastructure projects completed within agreed construction period	57% (139/245) of infrastructure projects completed within agreed construction period	Target not achieved Defaulting contractors	Exercising terms of contract timeously
Percentage of infrastructure projects completed within budget	142% (109/77*100)	60% of infrastructure projects completed within budget	53% (129/245) of infrastructure projects completed within budget	Target not achieved Exercising terms of contract timeously	Expenditure report indicating payment on each contract against approved project budget

Programme 3: Construction Project Management					
Performance indicator	**Actual achievement 2015/16**	**Planned annual target 2016/17**	**Actual achievement 2016/17**	**Deviation from planned annual target to actual achievement 2016/17**	**Comments on deviations**
Number of EPWP work opportunities created through construction projects	11 126	16 500 EPWP work opportunities created through construction projects	8 959 EPWP work opportunities created through construction projects	Target not achieved -7 541 Uncoordinated and inconsistency in reporting	PMO intervention as part of turnaround strategy
Percentage reduction of backlogs in infrastructure projects	47% (128/271*100)	15% reduction of backlogs in infrastructure projects	14% (154/1136) reduction of backlogs in infrastructure projects	Target not achieved -1% Slow response by project managers and consultants to queries raised by Sketch Plan Committee	Limit response time to maximum of three months.

Programme 4: Real Estate Management Services					
Performance indicator	**Actual achievement 2015/16**	**Planned annual target 2016/17**	**Actual achievement 2016/17**	**Deviation from planned annual target to actual achievement 2016/17**	**Comments on deviations**
Strategic objective: To provide functional leased accommodation for client departments					
Percentage of new leases procured for client departments that adhere to prescribed criteria	–	55% of new leases procured for client departments that adhere to prescribed criteria	85.7% (6 of 7) of new leases procured for client departments that adhere to prescribed criteria	Target over-achieved -30.7% All leases awarded complied with relevant procurement strategy	Establishment of NBAC-L improved compliance to prescribed criteria
Percentage reduction of identified leased-in functional accommodation with the security cluster	–	20% (4 of 20) reduction of identified leased-in functional accommodation with the security cluster	10% (2 of 20) reduction of identified leased-in functional accommodation with the security cluster	Target not achieved -10% Two ownership transfers from donations delayed at conveyancing stage, leading to a delay in terminating the relevant leases. As a result, there was no reduction in leases.	Delays of transfer of properties were caused by external parties (municipality and legal services). Timeous planning of deliverables taking delays into consideration will help in meeting delivery dates.
Number of IPMPs for new leased accommodation submitted to the PMO	–	Three IPMPs for new leased accommodation submitted to the PMO	Three IPMPs for new leased accommodation submitted to the PMO	Target achieved	–

Programme 4: Real Estate Management Services					
Performance indicator	**Actual achievement 2015/16**	**Planned annual target 2016/17**	**Actual achievement 2016/17**	**Deviation from planned annual target to actual achievement 2016/17**	**Comments on deviations**
Number of IPIPs for new leased accommodation submitted to the PMO	–	Three IPIPs for new leased accommodation submitted to the PMO	Three IPIPs for new leased accommodation submitted to the PMO	Target achieved	–
Strategic objective: To increase revenue through the rental of state-owned property					
Percentage of revenue increased through rentals of harbour-related properties	–	10% increase in revenue through rentals of harbour -related properties	10% (1 050 175) increase in revenue through rentals of harbour-related properties	Target achieved	–
Percentage of Department of Agriculture, Forestry and Fisheries (DAFF)-certified Operation Phakisa ocean economy leasing requests processed within agreed timeframes	–	100% of DAFF-certified Operation Phakisa ocean economy leasing requests processed within agreed timeframes	0% of leases signed of 0 Operation Phakisa-approved leases received	Target not achieved	–
Percentage of approved list of immovable assets let out for revenue generation	–	50% of approved list of immovable assets let out for revenue generation	50% (56 of 112) of approved list of immovable assets let out for revenue generation	Target achieved	–
Strategic objective: To manage and administer contractual obligations for all accommodation solutions					
Percentage of contracts renewed and/or terminated within prescribed timeframes	–	80% of contracts renewed and/ or terminated within prescribed timeframes	81% (9 of 11 terminations and renewals) of contracts renewed and/or terminated within prescribed timeframes	Target achieved	–
Percentage of leases awarded to black-owned companies	–	20% of leases awarded to black-owned companies	29% (2 of 7) of leases awarded to black- owned companies	Target over-achieved	Overachievement as a result of emphasis placed on awarding leases to black-owned companies in line with the envisaged property empowerment policy

Programme 5: Real Estate Information and Registry

Performance indicator	Actual achievement 2015/16	Planned annual target 2016/17	Actual achievement 2016/17	Deviation from planned annual target to actual achievement 2016/17	Comments on deviations
Strategic objective: To maintain a compliant IAR					
Percentage of approved disposals (in respect of socio- economic purposes) processed for transfer	99.32% of identified real estate assets verified	60% of disposals approved in 2016/17 processed for transfer	60% of disposals approved in 2016/17 processed for transfer	Target achieved	–
Percentage of immovable assets updated on the IAR for completed infrastructure projects	91% (8 159) of real estate assets verified	100% of immovable assets updated on the IAR for completed infrastructure projects	100% of immovable assets updated on the IAR for completed infrastructure projects	Target achieved	–
Strategic objective: To provide guidance and support to other custodians in the compilation of compliant IARs					
Number of provincial IARs assessed for compliance	One provincial real estate asset register incorporated into a single repository	Nine provincial IARs assessed for compliance	Nine provincial IARs assessed for compliance	Target achieved	–

Programme 6: Facilities Management

Performance indicator	Actual achievement 2015/16	Planned annual target 2016/17	Actual achievement 2016/17	Deviation from planned annual target to actual achievement 2016/17	Comments on deviations
Strategic objective: To manage maintenance programmes in accordance with an approved plan					
Number of buildings with scheduled maintenance contracts in place	718 identified buildings with Facilities Management contracts	350 buildings with scheduled maintenance contracts in place	881 buildings with scheduled maintenance contracts in place	Target over-achieved	–
Number of IPMPs for new maintenance projects submitted to the PMO	–	3	0	Target not achieved The Infrastructure Delivery Management System (IDMS) processes are not evolved for Facilities Management yet	–
Number of IPIPs for new maintenance projects submitted to the PMO	–	3	0	Target not achieved The IDMS processes are not evolved for Facilities Management yet	–

Programme 6: Facilities Management					
Performance indicator	**Actual achievement 2015/16**	**Planned annual target 2016/17**	**Actual achievement 2016/17**	**Deviation from planned annual target to actual achievement 2016/17**	**Comments on deviations**
Number of work opportunities created through maintenance programmes	3 269 work opportunities created	5 500 EPWP work opportunities created through maintenance projects	0	Target not achieved	–
Percentage of small, medium and micro enterprises (SMME) contracts awarded on the planned maintenance programme	–	50%	94% of SMME contracts awarded on the planned maintenance programme	Target over-achieved	Overachievement due to high number of scheduled maintenance contracts
Strategic objective: To reduce unscheduled repairs on state-owned buildings					
Percentage of unscheduled reported maintenance incidents resolved within prescribed timeframes	5% (253 of 5553)	70%	8% of unscheduled reported maintenance incidents resolved within prescribed timeframes	Target not achieved -62%	Deficiencies in internal controls resulting in inaccurate information from Worx4u system (open and closed calls)
Strategic objective: To ensure resource efficiency in state-owned buildings					
Reduction in energy consumption (kilowatt hours) in identified property portfolio	284 410 947.60 kWh	250 000 000 kWh reduction in energy consumption in identified property portfolio	274 316 368.2 kWh of renewable energy generated	Target over-achieved	–
Number of kilowatt hours of renewable generated	4 090 865 (kl)	2 215 000 kWh of Kilowatt hours of renewable generated	0	Target not achieved	–
Reduction in water consumption (kilolitres) in identified property portfolio	5% (253 of 5553)	4 100 000 kl reduction in water consumption (kilolitres) in identified property portfolio	4 459 707.00 kl reduction in water consumption (kilolitres) in identified property portfolio	Target over-achieved + 359 707	–

2.3 STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

In 2012, the Minister announced a seven-year turnaround strategy (2012-2019) with three discrete phases: stabilisation, efficiency enhancement, and sustainability and growth. The stabilisation phase focused on immediate challenges, such as leadership, and creating the potential for more fundamental change within the Department. The second phase, efficiency enhancement, focused on the systematic improvements, redesign processes, systems and structural elements. These elements will bring about improved efficiencies and effectiveness in the delivery of public works services to client departments. For example, under the theme “Improving the way we do business”, this phase ushered in the operationalisation of the PMTE to focus on the core business of the DPW: providing accommodation to government and managing the property portfolio. Principally, this entailed professionalising the property management function of the DPW and ring-fencing this function within the Department. The sustainability and growth phase focuses on policy review (refreshing the mandate of the public works sector).

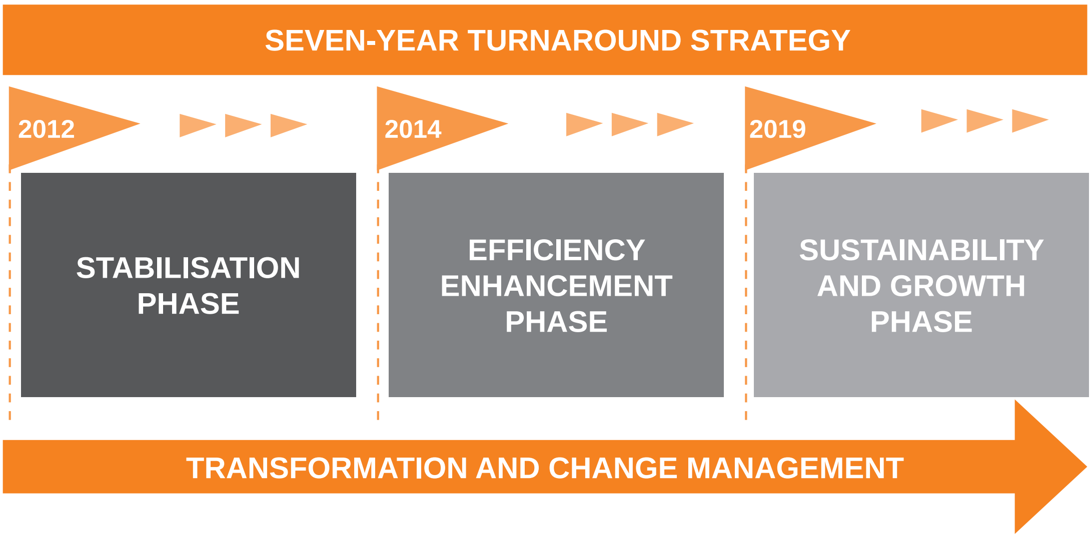


Figure 2.4: The three phases of the turnaround strategy

The key elements of the first phase were successfully achieved. These included the appointment of the Accounting Officer, Chief Financial Officer and other key senior management personnel to steer the Department in the right direction. In the period under review, the Department was in the second phase of the turnaround strategy. Fundamental to this phase are the systematic improvements, including the redesign processes, systems and structural elements of the Department. Focus on these key strategic areas to improve efficiencies and effectiveness will eventually lead to the third phase, sustainability and growth, by 2019.

In relation to stakeholders, the Department will continue to provide technical support to relevant stakeholders, such as the client departments and public bodies within the EPWP to enable them to implement projects in a labour-intensive manner. This includes training on the reporting system and basic Excel training. Public bodies will be provided with data capturers to record the work opportunities created. Additionally, funding will be sourced from the Department of Higher Education and Training (DHET), the SETAs and organisations such as the Financial Services Board, that provide valuable training in terms of financial management.

Other internal initiatives that form part of the efficiency enhancement phase, internal to the Department, and seek to speed up delivery as part of the second phase of the turnaround strategy include the following:

SCM reform

- Centralised supplier database
- Appointment of a panel of lessors

ICT solutions

- Immovable asset management
- Lease-in portal
- Condition assessment

Construction projects management

- Capacitating the branch with key skills
- Introducing IDMS

In furthering the implementation of the IDMS from the development of UAMPs for clients and CAMPS for custodian departments, the Department developed six IPMPs and an IPIP out the target of four IPMPs and four IPIPs, recording 150% performance

Real estate investment services

- Fast tracking valuations, feasibilities and disposals to achieve set monthly targets

In order to avoid the continued dilapidation of immovable assets and the inability to fund critical maintenance projects, the Department will finalise the user charge initiative in consultation with National Treasury and client departments. Appropriate accommodation charges that could thus be levied will enhance the Department's funding stream and its ability to preserve the condition of its immovable assets.

Strategic engagements with National Treasury, the DRDLR, the DPSA and the Department of Human Settlements (DHS) have been initiated. An MOU has been developed to institutionalise relationships and engagements. The City of Tshwane has signed an MOU, which has resulted in improved outcomes, including obtaining strategic parcels of land in the Northern Gateway, as well as Township approval in Salvokop.

Real estate management services

Revenue generation

A panel of estate agents will be implemented and appointed. Its objective is as follows:

- Maximize revenue from the state-owned properties by charging market-related tariffs
- Reduce the vacancy rate on the excess state-owned properties to ensure security that will prevent vandalism and the illegal occupation of the properties
- Achieve ministerial commitments on the transformation of real estate by letting out properties to small black estate agencies or development companies
- Achieve property industry transformation and economic empowerment in line with applicable legislations
- Leasing framework
- Revision of lease agreements
- Standardisation of lease agreements

A listing service system will also be implemented, which will list all advertised state-owned properties to allow the public to have access to such information. As a result, the Department will have a broader reach to the public for letting out state-owned properties

The Department will develop a disposal strategy on how neglected and high-maintenance private residential properties could be managed. An analysis will be conducted of the rental income vs. operational costs of holding such properties.

The result of this analysis will enable the Department to identify unprofitable surplus accommodation that must be considered for disposal. Cash flow from the disposal of such properties will be ring-fenced for the maintenance of strategic state-owned properties, thus having a positive impact on improving the condition of the state- owned property portfolio.

Transformation of the property industry

Specific enterprise development programmes will be established as part of the strategy to support small, emerging and/or start-up enterprises to increase the number of black people who manage, own and control competitive and sustainable enterprises in the property sector. This will include, but will not be limited to the Property Incubator Programme (PIP) of the Department, together with other initiatives, in partnership with the private sector.

The Department will set aside the procurement of leases using pre-qualifying criteria as per the Preferential Procurement Regulations of 2017, effective from 1 April 2017.

The Enterprise Development Plan will be a significant criterium in the procurement of leases. This will be a catalyst for the transformation of existing landlords in the market

High costs of lease rentals

National Treasury will approve leasing and letting standards (framework).

Facilities management

- Identify the top 300 buildings
- Develop internal technical skills capacity linked to the resuscitation of workshops
- Fully automate the call centre, maintenance and asset management activities through the introduction of system, such as the new ERP system and telemetry systems
- Develop new business processes and align them to the new systems, including a revision of the day-to-day maintenance guidelines

Expanded Public Works Programme

- Identify and engage under-performing public and reporting bodies to identify and resolve problems
- Conduct a quarterly data quality assessment workshop to identify and correct inconsistencies on the reported data
- Develop action plans to collect the required data and capturing on the EPWP-RS through the NCC in 2017.
- Provide continuous data capturing support through data capturing sessions, training and capacity building to the reporting bodies that have challenges in capturing data
- Notify all public and reporting bodies with excluded projects on a regular basis and encourage them to correct the projects on the EPWP-RS
- Conduct pre-audits in all regions to prepare the public bodies for audits
- Tight management of conditional grants to lead to full compliance and meeting the targets of funded public bodies.

All these initiatives will be addressed in the context of the turnaround strategy, focusing on the transition towards the third phase, sustainability and growth.

2.4 TRANSFER PAYMENTS TO PUBLIC ENTITIES

This table relates to public entities that received funding from the Department

Table 2.10: Public entities that received funding from the Department

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
Construction Industry Development Board	**Programme 1: Construction Register Services (CRS)** The purpose of this programme is to implement, manage and improve national registration services covering the Register of Contractors (RoC), Register of Projects (RoP) and the new registers that may be implemented in terms of the CIDB Act.	R52 059 000	R22 851 258	• Implemented fraud prevention and detection measures related to the registration of contractors • Implemented customer satisfaction survey system for contractor registration renewals
	Programme 2: Construction Industry Performance The purpose of this programme is to determine, establish and promote appropriate measures aimed at improved performance and best practice of public and private sector clients, contractors and other participants in the construction delivery process		R10 509 064	• Annual Assessment Report on the state of implementation of the CIDB Best Practice Contractor Recognition Scheme was issued • Four issues of the SME Business Conditions Survey were published monitoring business confidence, tendering competition, employment, access to credit and access to skills. • Four issues of the Quarterly Monitor were published covering supply and demand factors, including the number of contractors per grade, ownership profiles per grade, contractor upgrades, public sector spend per grade, spend vs. budget and for provincial and municipal government. • Annual Assessment Report on the state of implementation of the CIDB Best Practice Project Assessment Scheme was produced. • Report on Pilot on CIDB Standard for the Construction Quality Assessment System for General Building Works (CONQUAS SA) Quality Assessment • CIDB facilitated skills development assessment with a capacity to manage learners each year. • A postgraduate conference was hosted on 27 February 2017.

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
Construction Industry Development Board	**Programme 3: Procurement and Delivery Management (PDM)** The purpose of this programme is to develop, promote and monitor the uniform application of CIDB prescripts throughout all organs of state and industry stakeholders, including procurement standards, construction procurement reform, improved infrastructure delivery management practices and the CIDB Code of Conduct.		R13 891 480	• An assessment report on the state of implementation of the prescripts for prompt payment is available. • The regulations issued in terms of the CIDB Act were submitted to the Minister for publishing in the Government Gazette. • Annual report on the implementation of the compliance strategy was submitted. • Assessment report on the state of implementation of the Integrity Management System Standard was submitted. • A draft framework of a client recognition scheme was developed. • A final research report on the contract management challenges of the client was developed.
	Programme 4: Provincial Offices and Contractor Development The purpose of this programme is to offer an efficient and effective registration service through the CRS Programme and the provincial offices		R23 568 420	• 95% of Grade 1 applications were processed within 48 working hours. • Municipal procurement and contractor development capacitation sessions were held per province • 90% of public sector contractor development programmes (CDPs) were registered on the CODB monitoring and evaluation system and compliance • Customer registration satisfaction level survey reflects more than 96% satisfactions • A Provincial Construction Development Forum (PCDF) was implemented per province, inviting provincial client departments, associations and professional bodies
	Programme 5: CEO's office Programme The purpose of this programme is to provide strategic leadership to construction industry stakeholders to stimulate the sustainable growth, reform and improvement of the construction sector		R19 736 270	• 68% or more of the GB and CE contractors in grades 5 and 6 on the CIDB Register of Contractors were black owned. • 31% or more of the GB and CE contractors in Grade 9 on the CIDB Register of Contractors were black owned. • 20% or more of the GB and CE contractors in Grade 9 on CIDB Register of Contractors were women owned. • A feasibility report with go/no-go assessment of procurement model for limited tender opportunities was developed. • The National Stakeholder Forum Report was approved by the Board.

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
Council for the Built Environment	**Programme 6: Corporate Services** The purpose of this programme is to promote an optimal organisational culture that supports the effective delivery of the mandate		R40 736 270	• The Bursaries were awarded in line with the policy.
	Regulation of the six built environment professional councils	R43 413 000 transferred to CBE by DPW	R45 661 000	
	Facilitation of skills development within the built environment industry through pilot projects			• The project plan for the production and development of high-demand BEP skills categories (land and engineering surveyors and GIS professionals) was completed. • CBE's partnerships with universities of technology and host employers worked very well and made it possible to place 200 interns (100 more than the annual target). • A total of 450 leaners from a pool of Grade 10-12 learners enrolled in the Maths and Science support programme. • The A transformation strategy was developed for the BEPCs.
	Provision of researched advice and information to the built environment industry and public sector. Facilitation of the continuous development of knowledge within the built environment, in line with government's developmental and economic priorities.			• An advisory report on the implementation of the occupation-specific dispensation (OSD) by DPW (national and provincial departments) was developed and presented at the DPW's Skills Forum. • The final report on the implementation plans of the three partnerships to improve technical capacity within municipal, provincial and national departments was developed. The partnerships were with the following entities: - The Defence Formation Unit of the national Department of Defence (DOD) - The Municipal Infrastructural Support Agency (MISA), representing the municipalities - The Eastern Cape DPW (with whom an MOU was signed) • A Memorandum of Agreement (MOA) was developed for the final report on the implementation of the Standards for Infrastructure Procurement and Delivery Management (SIPDM) MoA to support infrastructure delivery.
Council for the Built Environment	The promotion and enhancement of high standards of professional ethics within the built environment.			• All appeals lodged were finalised within the statutory time limit as required. • The final report on corporate governance was submitted to the DPW. • The final report on compliance the PFMA was developed by the six built environment professional councils.

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
Independent Development Trust	Social Infrastructure Programme Management Services	Nil	Nil	• Spent R4.33 billion on Social Infrastructure Programme. This represents a 72% achievement against a target of R6 billion. • Created 57 111 work opportunities through the EPWP non-state sector initiative. • Supported 391 NPOs, NGOs and community-based organisations (CBOs) through the EPWP non-state sector initiative. • An amount of R3 476 billion, in overall programme expenditure was spent on B-BBEE. This represents 84% expenditure on weighted total infrastructure. • A total of 23% (R1 353 billion) of the total programme spend of R4.33 billion was spent on contracts awarded to women contractors. • Supported 33 government departments. • The Spent R649.8 million on youth contractors. This represents 11% of the total programme spend.
Agrément South Africa	ASA undertakes technical assessments to determine the fitness for purpose of non-standardised products and building systems for which no national standard exists.	The allocation for the 2016/17 financial year is R12.383 million.	The amount spent by the public entity in the 2016/17 financial year was R12.383 million.	The size of ASA's science, engineering and technology (SET) staff base is above target, and very pleasing progress continues to be made with the transformation of the SET base in terms of the proportions of black and female staff, which are both substantially ahead of target. This augers well for creating a strong in-house technical capacity that is capable of contributing towards the implementation of the technical mandate of the organisation as it supports the roll-out of government-wide technical infrastructure programmes. The key performance indicators of technical outputs was substantially ahead of target, with ASA successfully certifying 29 products and building systems during the year under review. ASA continued to put substantial effort into organisational governance. The record of unqualified audits is a tremendous asset and the organisation aims to maintain this excellent track record. ASA maintained an excellent health and safety record with no adverse incidents being recorded during the year.

For the year under review, the CBE received a grant allocation amounting R43.413 million from DPW. Together with additional revenue from the BEPCs' levies and interest income, the CBE had a total revenue budget of R45.661 million for the year. The CBE utilised the grant allocation to deliver on planned projects as per its annual Performance Plan (APP), as well as on priority projects that may be identified during the year. The total budgeted expenditure for the year is R45.661 million, which resulted in a zero deficit budget for the year. The actual financial performance of the CBE resulted in a surplus of R1.832 million for the year. The detailed financial performance is outlined in the 2016/17 annual financial statements. The total actual revenue earned for the year amounted to R46.451 million, against the budgeted revenue of R45.661 million. The favourable variance of R0.790 million on revenue is due to the following:

- There was a minor improvement in the amount received in levies from the BEPCs, and in interest earned.
- The other operating income exceeded budget due to the disposal of decommissioned assets.

The CBE ended the financial year with a surplus of R1.832 million, and will apply to National Treasury for the rollover of funds. As a result of the under-expenditure in Programme 1, there was a favourable variance of R3.133 million or (8%).

2.5 CONDITIONAL GRANTS

EPWP Integrated Grant for provinces (Public Works 11)	The grant has been transferred to provincial departments nationally
Purpose of the grant	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: • Low traffic volume on roads and rural roads • Other economic and social infrastructure • Tourism and cultural industries • Sustainable land-based livelihoods • Waste management • Road maintenance and the maintenance of buildings
Expected outputs of the grant	• Increased number of people employed and receiving income through the EPWP • Increased average duration of the work opportunities created
Actual outputs achieved	The total full-time equivalent (FTE) hours created is 75 893
Amount per amended Division of Revenue Act (DORA)	R402 009
Amount transferred (R'000)	R402 009
Reasons if amount as per DORA not transferred	The entire allocation of R402 009 was transferred to eligible public bodies
Amount spent by the provincial departments (R'000)	R388 896
Monitoring mechanism by the transferring department	The EPWP Integrated Grant for provinces is monitored through the in-year monitoring reports submitted on a monthly basis by the provincial departments, site verification visits and work opportunities reported on the EPWP reporting system.

Social Sector EPWP Incentive Grant for provinces (Public Works 11)	The grant has been transferred to provincial departments nationally
Purpose of the grant	• To incentivise provincial social sector departments, identified in the 2015 social sector EPWP log frame, to increase job creation by focusing on the strengthening and expansion of social sector programmes that have employment potential
Expected outputs of the grant	• Improved service delivery to communities by expanding the reach and quality of social services • Contribute towards increased levels of employment • Improved opportunities for sustainable work through experience and learning gained • Strengthened capacity of non-government delivery partners through increased access to funds for training, wages and administration
Actual outputs achieved	The total FTE hours created is 12 066

Social Sector EPWP Incentive Grant for provinces (Public Works 11)	The grant has been transferred to provincial departments nationally
Amount per amended DORA	R359 662
Amount transferred (R'000)	R359 662
Reasons if amount as per DORA not transferred	The entire allocation of R359 662 was transferred to eligible public bodies
Amount spent by the provincial departments (R'000)	R350 141
Monitoring mechanism by the transferring department	The Social Sector EPWP Incentive Grant for provinces is monitored through the in-year monitoring reports submitted on a monthly basis by the provincial departments, site verification visits and work opportunities reported on the EPWP reporting system.

Social Sector EPWP Incentive Grant for provinces (Public Works 11)	The grant has been transferred to provincial departments nationally
Purpose of the grant	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: • Road maintenance and the maintenance of buildings • Low traffic volume on roads and rural roads • Basic services infrastructure, including water and sanitation reticulation (excluding bulk infrastructure) • Other economic and social infrastructure • Tourism and cultural industries • Waste management • Parks and beautification • Sustainable land-based livelihoods • Social services programmes • Community safety programmes
Expected outputs of the grant	• Contribute towards increased levels of employment • Improved opportunities for sustainable work through experience and learning gained
Actual outputs achieved	The total FTE hours created is 57 785
Amount per amended DORA	R663 991
Amount transferred (R'000)	R663 991
Reasons if amount as per DORA not transferred	The entire allocation of R663 991 was transferred to eligible public bodies
Amount spent by the municipalities (R'000)	R512 650
Monitoring mechanism by the transferring department	The EPWP Integrated Grant for Municipalities is monitored through the in-year monitoring reports submitted on a monthly basis by the municipalities, site verification visits and work opportunities reported on the EPWP reporting system.

2.6 CAPITAL INVESTMENT

In line with Government Immovable Asset Management Act, 2007 (Act No. 19 of 2007), User Demand Management (UDM) assisted 42 clients to produce UAMPs. Of these clients, only 10 have capital infrastructure projects. UDM assisted these clients to submit signed-off infrastructure work lists for project programming and implementation. This denotes significant progress in relation to asset management planning for the Department and its users, as well as improved compliance with the GIAMA.

The Department provided and managed the immovable property portfolio in support of government's social, economic, functional and political objectives. The obligation enjoins the Department to plan, budget and execute work calculated to acquire, maintain and construct various government facilities, such as police stations, land ports of entry, prisons, and residential and office accommodation for client departments. The table below presents a summary of some the projects completed and handed over.

Table 2.11: Projects completed and handed over

Client department	Infrastructure projects had the following impacts
Department of Justice and Constitutional Development	• Reduction of unemployment. • Enhancement of service delivery for the client department • Growing the economy of the Republic
Department of Defence	• Reduction of unemployment. • Enhancement of service delivery for the client department • Growing the economy of the Republic
Department of Correctional Services	• Reduction of unemployment. • Enhancement of service delivery for the client department • Growing the economy of the Republic
SAPS	• Reduction of unemployment. • Enhancement of service delivery for the client department • Growing the economy of the Republic
Department of Arts and Culture	• Economic, educational and cultural impact. • Enhancement of service delivery for the client department

By the end of the financial year, the Department managed to spend 92% of the R686 443 000 budget for DPW capital projects, compared to 88% in 2015/16, as well as 98% of the R2 024 546 207 budget for the PMTE's capital budget, compared to 86% in 2015/16. The Department spent 103% of the planned maintenance (refurbishments and repairs) budget of R1 947 939 201, compared to 100% in 2015/16. In furthering the implementation of the IDMS from the development of UAMPs for clients and CAMPS for custodian departments, the Department developed six IPMPs and an Infrastructure Programme Implementation Plan (IPIPs) out the target of four IPMPs and four IPIPs, recording 150% performance.

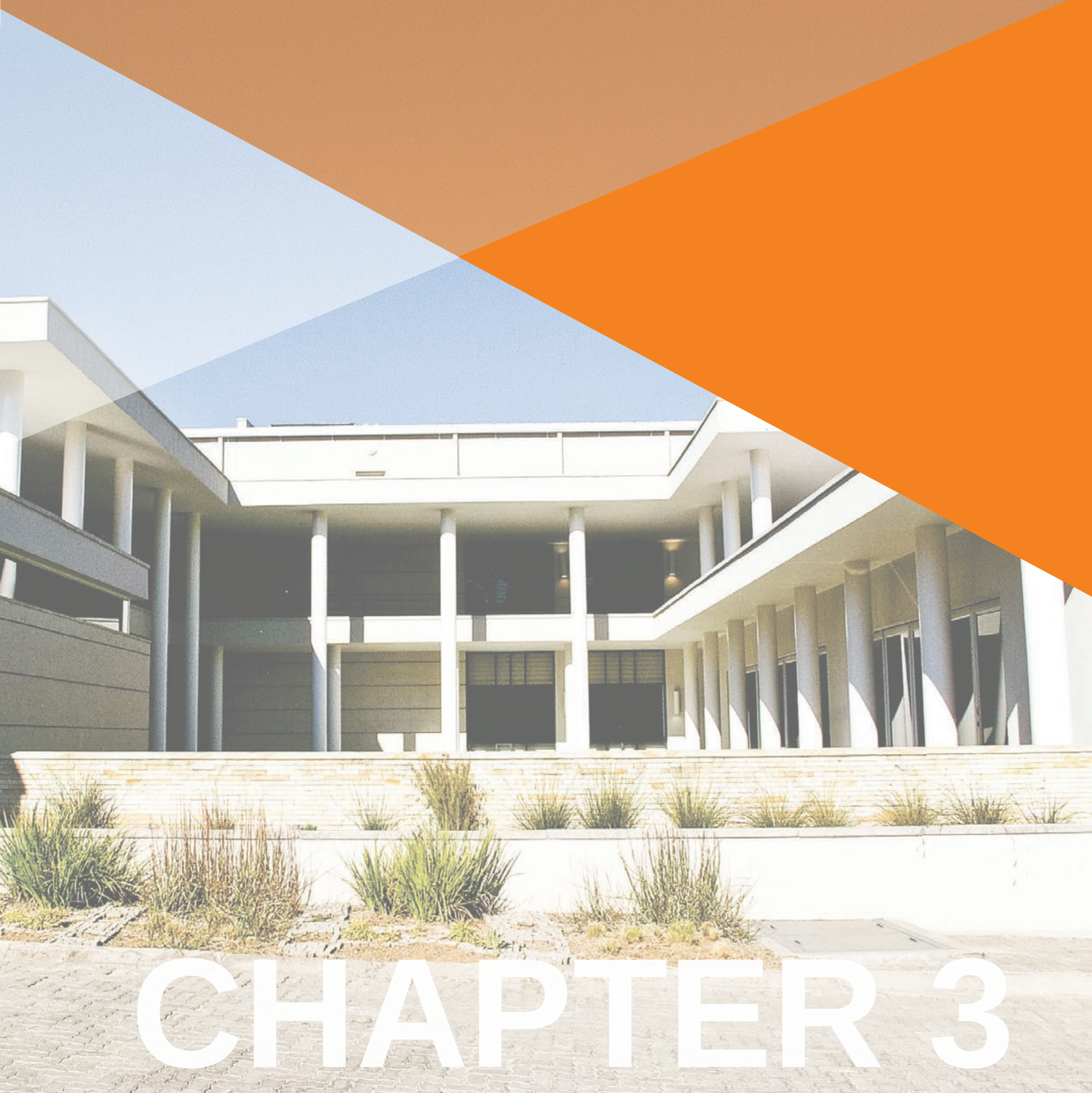
The current state of the Department's capital stock is illustrated in the table below.

Table 2.12: State of the Department's capital stock

Department	Condition of state-owned buildings (Number and percentage)										Total
	Very good C5		Good C4		Fair C3		Poor C2		Very poor C1		
Correctional Services	24	0%	2 629	23%	8 147	71%	620	5%	132	1%	11 552
Defence		0%	3 412	11%	24 096	81%	1 764	6%	491	2%	29 763
Justice	38	1%	636	24%	1 666	62%	277	10%	79	3%	2 696
Other client departments	367	2%	5 061	16%	18 439	60%	5 173	17%	1 676	5%	30 716
SAPS	275	1%	3 726	21%	11 175	64%	1 874	11%	492	3%	17 542
Unutilised		0%	16	5%	139	43%	46	14%	124	38%	325
Grand total	**704**	**1%**	**15 480**	**17%**	**63 662**	**69%**	**9 754**	**11%**	**2 994**	**3%**	**92 594**

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 the continued dilapidation of the portfolio. Moving forward, the strategy remains to categorise all assets according to condition for them to be prioritised and included in funded the maintenance programme on an annual basis.



CHAPTER 3

GOVERNANCE

3.1 INTRODUCTION

An effective governance framework enables organisations to integrate and coordinate risk and compliance initiatives with business processes, providing a holistic view of the organisation's risk and compliance postures and enabling management to make informed decisions on how to allocate resources and mitigate risks effectively. Although, governance objectives cut across the entire organisation and tie into every aspect of the organisation, it is important that the governance objectives share common characteristics that make it possible and even necessary to manage them as a distinct organisational concern. The substance of governance objectives is closely connected to the wellbeing of the organisation. The Department has structured its governing bodies in different ways, containing three key components that focus on the following tasks: providing strategic leadership, defining the business of the Department and analysing the technical environment within which the Department operates, its policies and solutions. The approach to governance structures is aligned to the MPAT processes in the Department.

The Department has four entities namely the CIDB, CBE, IDT and ASA. The performance of these entities is monitored quarterly. These quarterly assessments have enabled the entities to better focus their priorities with those of government as contained in the NDP and Medium-term Strategic Framework (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 formalised shareholder compacts with each of them for the first time (with the exception of the IDT, for whom this has been standard practice), detailing the expectations of the public entities as a mode of delivery for critical outcomes contained in the NDP within the construction and property sectors. Over the years, great emphasis has been placed on the six BEPCs.

3.2 RISK MANAGEMENT

The Department has an approved Risk Management Policy, Risk Management Strategy and Risk Management Committee Charter in place. The Department is currently reviewing all the risk management strategic documents for implementation in the 2018/19 financial year, as per the policy. Annual risk assessments are conducted annually and reviews are done in the last quarter of each financial year to evaluate the status of risks identified and the progress on the implementation of action plans to assess the level of risk exposure at residual level. During risk assessment, emerging risks are identified and incorporated into the risk register, which is then monitored on a quarterly basis.

The Department has a functional Risk Management Committee (RMC), which is convened on a quarterly basis as per the RMC Charter. The committee is chaired by an independent chairperson appointed by the Accounting Officer as per National Treasury's framework. The discussion and resolutions taken at the RMC are reported at the EXCO meetings and to the Audit Committee for endorsement. The Audit Committee, as an independent assurance provider, monitors the risk management processes and advises management on how to improve the effectiveness of risk management in the Department. Progress on the implementation of the action plans is tabled to the Audit Committee on quarterly basis. Furthermore, the identification of emerging risks on new business processes and change of objectives are conducted.

In terms of the Public Sector Risk Management Framework, the Accounting Officer should establish objectives that are consistent with the Department's constitutional mandate and ensure that its services are appropriate, economical, efficient and equitable. The Accounting Officer must also ensure that the Department is able to manage such risks effectively, economically and efficiently.

The Department has been involved in the development of risk registers. However, the following challenges that hindered the effectiveness of the risk management processes have been identified:
- Embedding risk management processes into the culture and existing planning and reporting processes of the Department
- Not utilising risk management as an effective management tool in terms of decision making
- Lack of synergy and integration between regional offices and branches at Head Office, which impacted on effective governance and accountability

3.3 FRAUD AND CORRUPTION

The Department's fraud prevention strategy outlines a high-level plan on how the Department implements its fraud prevention programme. The strategy evolves as the Department makes changes and improvements in its drive to promote good governance, accountability and effectively fighting fraud and corruption. The strategy is reviewed periodically to enable it to be effective in responding to the nature of the prevailing challenges.

The fraud prevention strategy, however, does not guarantee that the Department will not be impacted on by incidents of fraud and corruption, but is intended to serve as an additional measure to assist in the limitation of the impact of fraud and corruption risks, with a particular focus on creating awareness and promoting ethical business conduct.

The Department has adopted and implemented a four-component strategy in response to managing fraud and corruption. It comprises the following:

- Prevention: education and awareness, policies and procedures, an ethical culture, etc.
- Detection: promoting reporting mechanisms, Internal Audit, Register of Allegations
- Investigations: internal, and/or outsourced (Special Investigating Unit (SIU) and private firms)
- Resolutions: the implementation of systemic recommendations, disciplinary action, civil and/or criminal actions

The Department promotes the use of the National Anti-Corruption Hotline (NACH), 0800 701 701, administered by the Public Service Commission (PSC) for the confidential reporting of incidents of fraud and corruption. The promotion of the NACH further enhances the integrity of the reporting process. Members of the public and any other interested parties can report incidents or suspicion of incidents of fraud and corruption to the NACH anonymously. Once the report is logged with the NACH, it will be directed to the Department for further attention. The Department will be expected to provide a report or outcome of the investigation and resolution attained in as far as the allegation reported is concerned.

The Department further promotes other internal reporting mechanisms, such as the use of intranet or internet portals to report incidents directly to the Minister, Deputy Minister and Director-General. Officials can also report incidents directly via email or telephonically to the Deputy Director-General (DDG): Governance, Risk and Compliance. Internal officials and contractors are further urged to report incidents of fraud and corruption using the above channels. Once the matters are reported and referred to the Anti-corruption Unit, the complainants are notified (where known) of the receipt of their complaints or allegations, and they are provided with a reference number for future tracking purposes and to request feedback or progress on the outcome of the referrals.

Allegations pertaining to fraud and corruption from various sources or stakeholders are received by the Department in the form of reports from members of the public (NACH), officials, management requests, reports of the Auditor-General and Internal Audit. The following constitutes the steps followed once an allegation report is received by the Governance, Risk and Compliance branch:

- Upon receipt of the report, the allegation will be recorded in the Register of Allegations for tracing purposes
- The allegation received will then be submitted to the Assessment Committee, comprising five committee members to assess the allegation reported within 30 days of receipt in order to establish whether it falls within the mandate of the Unit
- Based on the assessment conducted, allegations that fall outside the mandate of the Anti-corruption Unit will be referred to other business units for further attention. Allegations that have elements of fraud, corruption and/or serious maladministration are registered on the Fraud Allegation Register and allocated a reference number.
- Subsequently, an investigation into the matter will be instituted to prove or disprove the allegations made.
- After the investigation is completed, a report detailing the findings of the investigation, conclusions and recommendations are submitted to the Director-General for consideration and approval of the recommendations made.
- Upon the Director-General approving the recommendations made in the investigation reports, the reports are disseminated to the relevant branch heads/regional managers to implement the recommendations made.
- Periodic follow-ups are made to track progress and the outcomes in respect of the implementation of the recommendations made on the investigation reports.

From the 2012/13 financial year to date, the Department, through the Governance, Risk and Compliance branch, has received 222 allegations. Of those, 196 have been completed, 16 are at various stages of investigation and 10 were referred to other business units for resolution.

Resolutions

Emanating from the investigations conducted, 179 disciplinary actions were recommended. Of those, 158 have been completed and 21 are ingoing. The finalised ones sanctioned range from dismissals to final written warnings and written warnings. A total of 27 cases have been referred to the SAPS for further investigation. These comprise acts related to misrepresentation, fraud and corruption.

Fraud and risk management

As part of the Department's broader measures to eradicate fraud and corruption within its operations, the Department has developed and implemented a Fraud Risk Management Plan. The Fraud Risk Management Plan will be incorporated into the Department's overall fraud prevention strategy. The benefits of a robust Fraud Risk Management Plan will enable the Department to do the following:

- Enhance systems, processes and procedures, and reporting systems, which will support operational efficiency
- Ensure the economic and efficient use of state resources
- Realise improved service delivery

3.4 MINIMISING CONFLICT OF INTEREST

To ensure that conflict of interest in SCM practices are minimised and to further prevent and detect collusive practices, the Department has implemented a number of internal control measures. These include the following:

- All SCM officials and every official involved in SCM processes are required to annually sign a Code of Conduct for all DPW Officials Engaged in Supply Chain Management form (PA00), which requires officials to declare in writing all business, commercial and financial interests.
- Every official of the Department who is involved in the development of tender specifications, the evaluation of tenders received or the adjudication of tender awards is 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 their spouses and close family members in any partnerships, close corporations and/or companies.
- In instances where officials declare a conflict of interest, they are recused from participating in any further activity related to the matter under discussion.
- All SCM officials, by the very nature of their involvement in tendering, are also subjected to a security vetting process.
- The SCM policy also prohibits employees of the state to conduct business with any organ of the state. Bidders who are found to be employed by the state are thus disqualified from the bidding process.
- Within the quotations environment, electronic nomination and rotation of prospective bidders has been implemented through the use of a sourcing system that interfaces with National Treasury's Central Supplier Database (CSD). This assists in a fair selection and rotation of bidders to minimise perceived risks associated with manual selection. The CSD is also utilised as a tool to scrutinise ownership and directorship of bidders to determine if they are not employed by the state.
- The Department has reviewed and improved business processes to address bidders that are found to have contravened the SCM provisions. These includes possible restriction from doing business with the state for a period not exceeding 10 years.
- The departmental standard bidding requirements 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 SCM process related to the bid and to further declare whether he or 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 Department's Inspectorate and Compliance Unit is now embedded within the SCM processes as "gatekeepers" to ensure good governance and compliance. This serves to further minimise conflicts of interest.

3.5 CODE OF CONDUCT

Investigation

The Department appoints either an external or internal investigator to probe any allegations of misconduct upon receipt of instruction from line functions. The findings of the investigation will then dictate whether there is a need to proceed with formal charges or not.

Disciplinary hearing

Should a need to proceed with charges arise, then the Department facilitates the process of appointing the chairperson and the initiator, followed by disciplinary hearing. The chairperson will commence with the hearing, the outcome of which is communicated to the employee after the Accounting Officer has given sanction.

It should also be noted that the Department does not have a customised code, but utilises the PSC's code of conduct, which is applicable to all government departments. This Code is available on the PSC's website for ease of reference.

3.6 HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The DPW, through its statutory compliance, has continued with its health and safety campaign under the slogan "My safety, your safety, our responsibility" to inform and educate staff on the importance of health and safety in the workplace. As part of the campaign, various habitual preoccupations in which most office workers are involved have adverse effects on their physical wellbeing. Guided by the Occupational Health and Safety Act, 1993 (Act No. 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.

Inspections were also conducted on some of the waste water treatment plants that necessitated a National Task Team to focus on all issues affecting the normal functioning of the treatment plants. An analysis was done on some plants in the Durban, Cape Town, Nelspruit and Pretoria regional offices. The other regional offices are scheduled to be inspected in the 2017/18 financial year.

Compliance inspection is also done on the railway sidings managed by the Department in line with the Railway Safety Regulator's requirements to ensure compliance with the South African National Standard (SANS) 3001. These sidings are maintained and serviced for client departments like the South African National Defence Force (SANDF) for its day-to-day operations. The SANDF uses the railway to transport both ammunition and jet fuel for The Presidency.

The Department applies for a railway safety permit annually from the National Railway Safety Regulator (an agency of the National Department of Transport). The National Railway Safety Regulator (established in terms of Act No. 16 of 2002) requires all entities defined as operators to apply to the National Railway Safety Regulator for a safety permit, including the DPW. According to this Act, all entities are obliged to apply to the National Railway Safety Regulator for a safety permit should they be an operator defined in the Act. This includes being:

- responsible for the maintenance of any portion of networks or a siding, including railway yards;
- responsible for the movement of rolling stock; or
- in control of a station.

The Department is in possession of 22 railway sidings in different regions. Only six of those are active, the rest are dormant. As the custodian of railway lines, the Department is classified as a Class B Network Operator. Network operators are responsible for the maintenance of their active railway lines and it is their responsibility to ensure that active railway lines are kept in good operational condition to avoid any nature of an occurrence.

The Department of Defence, as the user of these lines, is also in possession of a railway safety permit in order to comply with the requirements of the National Railway Safety Regulator. The relationship between the Department and SANDF is ruled by a service level agreement, which stipulates the responsibility of each operator of the siding.

Moreover, the Department has an interface agreement with interfacing operators such as Transnet Freight Rail and Senwes, who are also responsible for the maintenance of their railway lines. The relationship between the DPW, Senwes and Transnet Freight Rail is ruled by the interface agreement signed by all interfacing parties.

The Department has since appointed a railway safety nominated manager to handle all railway-related activities in all the regions where the Department owns or operates sidings. The nominated manager is also responsible for the following:

- Ensuring that the requirements of the Act, regulations and safety standards are implemented and maintained
- Compiling standards and procedures with regard to the railway safety management system
- Facilitating the signing of an interface agreement between all parties interfacing with the departmental sidings
- Conducting inspections or audits in all railway sidings
- Attending to all reported incidents
- Facilitating the process of spiking all unutilised sidings

3.7 PORTFOLIO COMMITTEES

Item	Date	Subject	Issues to note
2016/17 Strategic Plan and Annual Performance Plan	6 April 2016	DPW, CIDB and IDT on their 2016 Strategic Plan and Annual Performance Plan	The DPW, IDT and CIDB presented their Strategic Plan and Annual Performance Plan for 2016/17 to the Portfolio Committee for Public Works. The DPW presented its strategic goals for the next five years.
	7 April 2016	CBE, ASA on their 2016 Strategic Plan and Annual Performance Plan, presented by the Deputy Minister	Delegations from the CBE and ASA presented their 2016/17 Strategic Plan and Annual Performance Plan, as well as their budgets, in the presence of the Deputy Minister.
EPWP	12 April 2016	EPWP: progress report by the Deputy Minister and the DPW	The brief focused on the 2015/16 EPWP performance analysis, EPWP Integrated Grant progress, EPWP Social Sector Grant, EPWP technical support overview, EPWP training report as of the third quarter of 2015/16, EPWP audit findings, challenges facing the programme and measures put in place to address challenges. Members felt that the EPWP was on the right track, but more had to be done to empower participants with marketable skills, retaining or replacing graduates, reporting on municipal and provincial activities on time, and ensuring that all municipalities and provinces deliver.
Expropriation Bill and government debt owed to municipalities	24 May 2016	Expropriation Bill [B4D-2015]: adoption, with Deputy Minister present Government debt owed to municipalities: payment progress report by DPW	The Committee met to deal with the two proposed amendments that had been made by the National Council of Provinces (NCOP) on the Expropriation Bill [B4B-2015]. The Committee also dealt with the presentation by the DPW on the debt that was owed to municipalities and payments. The Department highlighted that the total debt that was owed to municipalities for rates, taxes and other municipal services as of 31 March 2015 was R96 billion. Efforts are being made by custodian and client departments to confirm custodianship or ownership of alleged properties, and make necessary arrear payments.
Quarterly Performance Review	16 August 2016	DPW on its first quarter 2016/17 performance	The DPW briefed the Committee on its first quarter report for the 2016/17 financial year, and provided details of its achievements against the targets for its five programmes. The Department had managed to achieve 77% of its targets, while the PMTE had managed to achieve 54%, making an average performance of 66% for the first quarter. Members indicated that there seemed to be some confusion with regard to the name of the funded programmes and sub-programmes, as both the DPW and the PMTE appeared to be sharing most of the programmes. It was unclear whether the Department had acquired the requisite skills and competencies in the organogram for the review of all the existing White Papers of the Department, as had been emphasised in the 2015 Budget Review and recommendations report of the Committee.

Item	Date	Subject	Issues to note
Small Towns Revitalisation Programme	6 September 2016	Small Town Revitalisation Programme (Inner City Regeneration): DPW report	The DPW explained that, since 2014, Planning and Precinct Development (previously known as the Inner City Regeneration Programme, focused exclusively on Tshwane) had expanded its mandate to include other urban metros and rural areas, supporting the integrated development and creation of government precincts in collaboration with provincial and municipal counterparts. Members appreciated that the Small Town Revitalisation Programme had been extended to rural municipalities and not only to cities as this was the concern of members in their previous engagement. The Committee should be briefed on the timeframes for the commencement of the Small Town Revitalisation Programme and in which areas it would be implemented, as this would assist members when conducting oversight
Annual Report	1 November 2016	DPW on its 2015/16 Annual Report, with Auditor-General Input CBE on its 2015/16 Annual Report	The Committee received briefings from the Office of the Auditor-General on the financial statements of the annual reports of the DPW, the PMTE and their entities for the 2015/16 financial year, and from the CBE on its annual report and financial statements. The AGSA reported that there had been a regression in the audit outcomes of the DPW's portfolio over the period of three years Although the PMTE had remained unchanged, with a qualified audit opinion between 2013/14 and 2015/16, the number of qualifications was fairly reduced in 2015/16. This could be attributed to the efforts made by management to enhance the control environment. The AGSA raised concerns on the annual performance reports submitted by all entities in the portfolio, with the exception of the CIDB, where no material adjustments to the performance information submitted were required. Members commented that what had been presented by the AGSA seemed like the complete opposite of what the Department's entities had previously presented to the Committee. There was quite a bleak picture in the general performance of the portfolio Some members felt that there should be a concerted effort to streamline the process in the EPWP in order to resolve all the challenges that were being experienced by the Department Members wanted to know if the CBE Act, 2000, and the Architectural Profession Act, 2000, were still relevant in relation to the goals set in the NDP, as this was the blueprint for the country's development
Public Works White Papers	31 January 2017	Challenges with White Papers on Public Works review	Meeting outcomes not yet circulated

Item	Date	Subject	Issues to note
PMTE	14 February 2017	Rural Precinct Development: PMTE briefing	PMTE presented its Rural Precinct Development and Investment Analysis. Key points were its core mandate and objectives for planning and precinct development. Committee members raised their concerns about the ridiculous monthly lease amount of R212 416 566 million and members articulated that this figure should be reduced at all costs since there is an availability of abandoned and unoccupied buildings. Members also highlighted the length of the timeframe of the development projects. It was highlighted that there was no mention of the Rural Precinct Development Programme in the PMTE's APP of 2016/17, and clarification was sought on the matter. Of paramount significance was the economic and social impact of development projects on poor and rural communities.
EPWP	28 February 2017	(EPWP progress report, with Deputy Minister	The Deputy Minister of Public Works led the presentation on the EPWP progress report to the Committee. The report focused on Phase 3 performance against targets, the impact of EPWP on communities, the technical support given to municipalities and other data-capturing entities, and the development of the training and enterprise development aspects of the programme. The Committee asked questions about the reasonableness of the targets for creating work opportunities, what the problems are where targets are falling short, and what measures are being put in place to deal with the challenges
Quarterly Performance Review	7 March 2017	DPW and PMTE on their second quarter performance, with Deputy Minister	The Deputy Minister of Public Works, the Director-General and officials from the DPW briefed the Committee on the July to September 2016 performance of the DPW and the PMTE. The report focused on the turnaround phases, DPW and PMTE performance information, the way forward, and DPW and PMTE financial performance The report noted that the DPW had 28 planned targets for the second quarter. Of these targets, 19 were achieved (68%), two were partially achieved (7%), and seven were not achieved (25%). While performance in terms of targets achieved reflects as 0%, progress in terms of the activities related to the targets is noticeable. Members enquired about steps taken to deal with the slow spending in goods and services, the expensive housing for ministers and deputy ministers, the poor quality of repairs to the parliamentary villages, the discrepancy in the vacancy rate, the total number of senior managers who received performance bonuses, the incentive grant of the EPWP where provinces had a huge increase of 49.5%, and the appointment of 189 data capturers.

NCOP economic and business development

Item	Date	Subject	Issues to note
Annual Report	21 February 2017	DPW and PMTE on their 2015/16 Annual Report, with Minister in attendance	At the outset, Minister Nxesi assured the Committee that he and the DPW took their engagements very seriously. The DPW had a turnaround plan in place, which had started in 2012. The Minister further unpacked the progress on the turnaround plan. The Chairperson, in the interests of time, asked the DPW to limit its briefing to performance information. The DPW briefed the Committee on its Annual Performance Report of 2015/16. The Committee was provided with an overview of the performance of the DPW per programme.

Standing Committee on Public Accounts (SCOPA) resolutions

Item	Date	Subject	Issues to note
2015/16 Annual Performance Report	1 November 2016	Briefing by departments and entities on outstanding annual reports	The DPW, together with the AGSA, provided the context leading to the delay in the tabling of the Annual Performance Report for 2015/16.

3.8 PRIOR MODIFICATIONS TO AUDIT REPORTS

Department of Public Works

	Nature of emphasis of matter	Financial year in which it first arose	Progress made in clearing or resolving the matter
1.	Restatement of corresponding figures	2013/14 and 2014/15	The matter was resolved during the audit.
2.	Reliability of the performance information	2015/16	A series of interventions is already underway to address these challenges, such as conducting quality assessment workshops to identify and correct inconsistencies on the reported data on a quarterly basis, conduct pre-audits in all regions to prepare the public bodies for audits and ensuring tight management of conditional grants to lead to full compliance and meeting of the targets of funded public bodies.

Property Management Trading Entity

	Nature of emphasis of matter	Financial year in which it first arose	Progress made in clearing or resolving the matter
1.	Financial information: • Qualification with two findings • Compliance with seven findings	2013/14 and 2014/15	A series of interventions is already underway to address these challenges.
2.	Performance information: Disclaimer (first year of opinion)	2015/16	An analysis of past performance conducted to identify gaps underway as identified under strategies to improve performance.

3.9 INTERNAL CONTROL UNIT

The Department developed a Compliance Risk Management Framework during the year under review. The framework will ensure that the entire compliance universe, from primary legislation at the one level to internal policies and procedures on the other are complied with. The system will rate the risk of non-compliance within the universe and focus compliance monitoring on areas of high risk.

The implementation of the system will mainly assume an approach of self-monitoring and assessment. This will complement independent monitoring, which is dependent on human intervention and electronic monitoring, to reduce the dependency on human resources. The system will be decentralised, with central supervision, and will initially focus on high-risk areas, including SCM, GIAMA and OHS compliance.

3.10 INTERNAL AUDIT AND AUDIT COMMITTEES

Key activities and objectives of Internal Audit

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.

Key Activities

- 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

Key Objectives:

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.

Key Activities – Some of the 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.

3.11 REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2017

We are pleased to present our report for the financial year ended 31 March 2017.

3.11.1 Audit Committee members and attendance

For the year under review, the Department (main vote) and its 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 six members, all of whom are external to the institution.

The meetings were attended as follows:

No of members	Name of member	Qualifications	Date appointed	Number of meetings attended
1	Mr Z Luswazi – Chairperson	BCompt, BCompt (Hons), CA (SA)	01/10/2012 re-appointed 01/09/2016	10
2	Mr C Bunting	Diploma Internal Audit and Financial Accounting and Masters in Administration	01/10/2012 re-appointed 01/04/2016	8
3	Ms N Singh	BCompt, BComm (Hon), CA (SA)	01/10/2012 re-appointed 01/04/ 2016	8
4	Mr J van Heerden	National Diploma Finance	01/07/2013 re-appointed 01/07/ 2016	7
5	Mr B Potgieter	BCom and MBA	01/04/ 2016	10
6	Mr S Madonsela	BSc Eng (Mechanical)	01/04/2016	6

3.11.2 Audit Committee responsibility

The Audit Committee has complied with Section 38(1) (a) (ii) of the Public Finance Management Act (PFMA) (Act No. 1 of 1999) 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.

3.11.3 Effectiveness of internal control

Efficiency and effectiveness of the system of internal control

While both the main vote's and the PMTE's performance information audit outcomes effectively remained the same in relation to prior year, on an overall basis however; the efficiency and the effectiveness of the system of internal control in the year under review deteriorated in relation to prior year.

The main cause of the deterioration of the system of internal control in the current year is the adverse opinion issued on the PMTE's annual financial statements, against a qualified audit opinion on the 2015/16 annual financial statements. Audit outcomes on performance information are expanded upon in the item on the evaluation of the performance management system, while the annual financial statements are discussed in the item on the evaluation of financial statements.

Risk management

In the year under review, the risk management has stagnated. This is as a result of two factors. Firstly, the fact that organisational maturity on risk management being the entrenching of the culture of the application of risk management principles on the day-to-day managerial activities remains to be achieved. Secondly, that the risk management function was significantly under-resourced in terms of personnel in the year under review.

Accordingly, significant milestones on the institution's risk management function remain to be achieved starting with capacity building, which should then significantly influence organisational risk maturity referred to.

Annual financial statements

There were no significant changes on the technical content of the main vote's annual financial statements in relation to prior year, yet the PMTE's annual financial statements reported a major change on their technical content in relation to prior years. For the PMTE, the year under review was the phase-in of GRAP compliance with respect to the valuation of Property, Plant and Equipment (GRAP 17), wherein these assets were stated at valuation for the first time. This presented a significant challenge to this reporting entity in relation to prior years and this was highlighted as such by this Committee in the 2015/16 annual report. The total impact of the valuation of the Property, Plant and Equipment was a fundamental increase in the reported asset base matched by an equivalent increase in equity.

On the audit outcomes, the Department maintained an unqualified audit opinion while the PMTE received an adverse opinion (qualified audit opinion in the prior year). The basis of the PMTE's audit outcome is discussed further in the item on the evaluation of financial statements.

Report of the Auditor-General

A healthy and robust interaction between the Auditor-General and management characterised by a mutual respect of the position of each with particular reference to the guaranteed independence of the Auditor-General team, 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 respective 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.

The Audit Committee accepts the report of the Auditor-General.

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

Regular, accurate and complete financial reports duly supported by reliable information were not consistently prepared throughout the year. Quarterly financial statements were prepared for the Department, yet only the half-yearly financial statements were prepared for the PMTE and these were not in compliance with the prescribed reporting framework, the GRAP Standards of reporting. This is a function of the manual nature of the process of compiling the PMTE financial statements. As reported in the prior year, the Committee remains concerned about the manual system employed in the compilation of the PMTE GRAP compliant financial statements. We revisit this issue under item on the evaluation of financial statements.

Furthermore, the Committee remains critical of the quality of the in-year performance management reports. Specific recommendations for improvement in this regard have been made to management in the course of the financial year.

The Auditor-General highlighted certain non-compliances with the Public Finance Management Act, (PFMA) (Act No. 1 of 1999) vis-à-vis the submission of the financial statements for auditing, Section 40(1)(c)(i) and the fact that components of the financial statements were not consistently prepared in accordance with Section 40(1)(a) and (b) of PFMA.

3.11.4. Evaluation of financial statements

As mentioned in item regarding the annual financial statements above, the Department maintained an unqualified audit report, while the PMTE received an adverse opinion compared to a qualified opinion in the prior year. An in-depth analysis of the PMTE audit report ensues. The basis of the PMTE's audit opinion as the following:

- That Property, Plant and Equipment was not correctly valued. This was caused by the incorrect utilisation of the source data in determining the deemed costs of assets being measured;
- That expenditure other than additions to Property, Plant and Equipment was incorrectly recognised as additions to the said Property, Plant and Equipment;
- That the estimated useful economic lives of assets were not reflective of the actual condition of assets on the ground;
- That recorded accruals, both payables and receivables accruals, could not be substantiated for audit purposes; and
- That recorded unscheduled maintenance provision could not be substantiated for audit purposes.

It is a view of the Committee that the audit opinion on Property, Plant and Equipment (assets) is as a result of two main factors: the magnitude of the first time application of the valuation assertion on the said Property, Plant and Equipment and the inadequate capacitation of the directorate responsible for the asset management function.

The remaining two audit report basis points (inability to substantiate recorded accruals read with the inability to substantiate recorded unscheduled maintenance provision) are a reflection of the absence of relevant and up-to-date business processes. Reengineering of organisational business processes at the PMTE remains a crucial challenge ahead.

3.11.5. Evaluation of the performance management system

As mentioned in the item for the efficiency and effectiveness of the system of internal control, the audit outcomes in respect of performance management effectively remained the same as they were in relation to prior year. The following comparative analysis depicts the picture:

The main vote:

- Programme 3: Expanded Public Works Programme; Current year, Qualified audit report; Prior year, Disclaimer of audit opinion; Improvement.
- Programme 4: Property and Construction and Industry Policy and Research; Unqualified audit report in both reporting periods; No change.
- Programme 5: Prestige Policy; Current year, Disclaimer of opinion; Prior Year, Qualified Audit Report; Regression.

The PMTE:

In the year under review, the Auditor-General, reviewed four programmes while in the prior year, three programmes were reviewed. The current year findings were as follows:

- Programme 3: Construction and Project Management; Disclaimer of audit opinion.
- Programme 4: Real Estate Management; Qualified audit opinion.
- Programme 5: Real Estate Information and Registry Services; Qualified audit opinion. Not audited in the prior year.
- Programme 6: Facility Management; Disclaimer of audit opinion.

Significant improvement is required on the planning, coordination and on the overall management of the performance management system at the institution. Outside of achieving desirable audit outcomes, it is the interests of both reporting entities to fulfil their respective mandates and strategic goals as eloquently and sufficiently measured by the respective organisational performance score cards. Therefore, significant improvement on both aspects is of primary importance.

3.11.6 Internal audit

The Internal Audit Unit is steadily maturing and plans to build further capacity through addition of further resources (personnel) and a systematic skills transfer plan from the incoming personnel to the existing personnel are afoot. In particular, the unit is maturing towards consistently fulfilling its strategic role at the institution.

3.11.7 Auditor-General South Africa

The Committee reports that there are no unresolved matters 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.

3.11.8 The Departmental Annual Performance Plan

It is the view of the Committee that the institution's planning process has matured. This has been a steady journey over the last four years or so wherein the culture of excellence and precise planning processes has been systematically internalised at the institution. As a result, development of a quality Annual Performance Plan (APP) necessarily reflective of the Organisational Long-term Strategic Plan is a realistic and an expected outcome. Accordingly, and as done year-after-year to-date, the Committee will in due course be similarly conducting detailed reviews and appraisals of the 2018/19 financial year's planning cycle and the organisational scorecards.

3.11.9 Key strategic focus areas

Continuous improvement in good corporate governance is always a constant for any institution with a statutory (legislated) financial reporting responsibility. Accordingly, the reporting institution in view is this report (comprising of the Department (main vote) and the PMTE is no different. This explains the efforts of the institution towards this objective to-date (current and prior years) as well as the ethos of this very report, i.e. continuously improving and sustaining good corporate governance.

It is in the background of this constant strategic intent therefore that the Committee reiterates two key strategic focus areas for the institution in the 2017/18 financial year: an improvement on the audit outcomes on the PMTE's annual financial statements as well as an improvement on the audit outcomes on the reported organisational (both the main vote and the PMTE) performance information.

3.11.10 Challenges ahead

The Committee believes that the institution is facing the following key challenges in respect of the 2017/18 financial year:

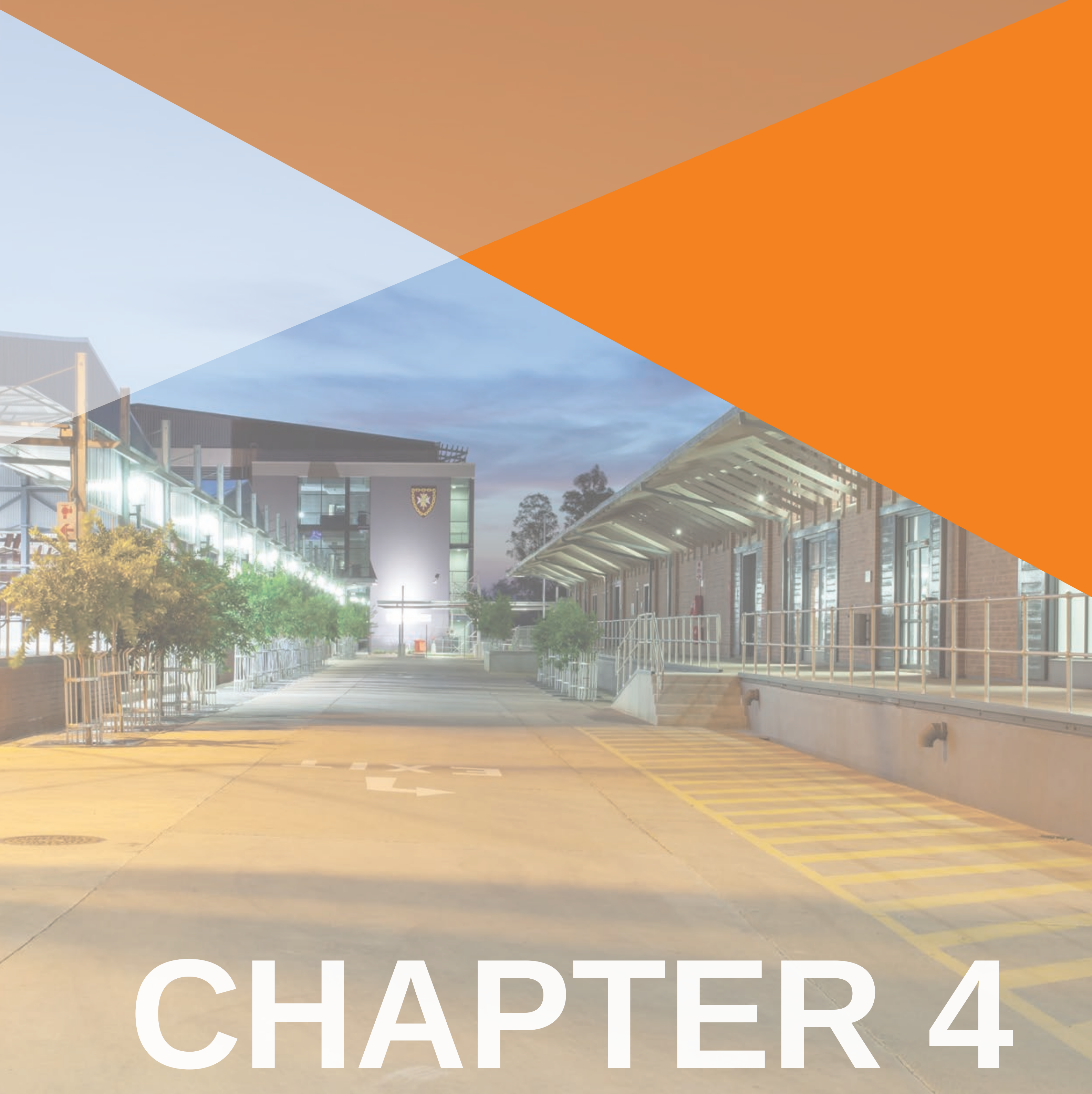
- Improvement on the audit outcomes in the manner articulated in item 10 above;
- Improving the Asset Management Function as a whole at the PMTE;
- Reengineering of the PMTE's business processes;
- Achieving total and strict compliance with GRAP 17 as a whole at the PMTE; and
- Improving the organisational Performance Management System.

3.11.9 Overall observation

Our overall observation is that in relation to the prior year; the level of good corporate governance at the institution has declined. This report has identified the key areas in need of improvement in this regard. Towards the attainment of these objectives, the role of the Committee therefore will be to monitor and appraise the qualitative implementation of the necessary corrective actions, provision of strategic guidance to the institution and overall exercising of our statutory oversight function.

Z Luswazi CA (SA)
Chairperson: Audit Committee

26 September 2017



CHAPTER 4

HUMAN RESOURCE MANAGEMENT

4.1 INTRODUCTION

The Department's HR unit plays a critical role in building a team of working professionals. The fundamental functions of the HR unit include structural design, recruiting and training human capital, performance appraisals and employee motivation. In a bid to realise its objectives, the Department revised the HR Plan, and developed and implemented 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, Policy, Research and Regulations, PMTE, EPWP, Projects and Professional Services, and Finance and SCM. Its achievements to date include the following:

- The Department managed to finalise and gain approval of the organisational structures of both the DPW and the PMTE.
- The Department 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 the artisan development programme. The implementation of the retired professionals programme provided the necessary mentorship and coaching capacity for the skills programmes, while closing the skills gaps in the professional and technical skills areas.
- The Department completed the in-sourcing of the security function in Head Office through the appointment of in-house security officers to perform access control, the guarding of Head Office buildings, as well as parking sites.

4.2 PERSONNEL-RELATED EXPENDITURE

The following tables summarises the final audited personnel-related expenditure by programme and by salary bands. In particular, it provides an indication of the amount spent on personnel and the amount spent on salaries, overtime, the homeowner's allowance (HOA) and medical aid.

Table 4.1: Personnel expenditure by programme

Programme	Total voted expenditure	Compensation of employees expenditure	Compensation of employees as a percentage of total expenditure	Average compensation of employees cost per employee	Total number of employees per programme
	R'000	R'000	%	R'000	%
Administration	480 334	240 436	52.4	44	73
Intergovernmental Coordination	46 015	13 976	56.3	4	15
Expanded Public Works Programme	1 953 369	152 622	6.9	23	55
Property and Construction Industry Policy and Research	3 742 985	1 318 186	35.2	2	4 528
Prestige Policy	89 519	15 551	17.4	3	44
Total as on financial systems (Basic Accounting System (BAS) and Sage)	6 312 222	1 745 318	27.6	75	5 782

Expenditure on compensation of employees indicated against Programme: DPW: Property Construction Industry Policy and Research includes the compensation of employees for the PMTE. The programme structure for the 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 the DPW and the PMTE could not be split on the system. To enable the Department to differentiate between the cost of employees for DPW and that of PMTE, all employees related to PMTE were seconded on PERSAL. This, however, resulted in all PMTE staff members being indicated under DPW: Property Construction Industry Policy and Research on the Persal system. The total positions for the PMTE will not reflect against the programme structure of the PMTE until the PMTE and DPW are fully split in terms of the approved structure.

Table 4.2: Personnel costs by salary band

Salary bands	Compensation of employees cost	Percentage of total personnel cost for Department	Average compensation cost per employee	Number of employees
	R'000	%	R'000	%
Lower skilled (levels 1–2)	153 082	7.62	150 228	1 069
Skilled (levels 3–5)	211 255	10.51	206 910	1 013
Highly skilled production (levels 6–8)	417 535	20.77	340 567	1 223
Highly skilled supervision (levels 9–12)	619 856	30.84	667 949	1 009
Senior management (levels 13–16)	244 946	12.19	1 074 323	144
Contract (levels 1–2)	43 487	2.16	113 841	749
Contract (levels 3–5)	30 240	1.50	160 851	202
Contract (levels 6–8)	59 976	2.98	322 454	178
Contract (levels 9–12)	88 663	4.41	534 112	160
Contract (levels 13–16)	59 098	2.94	–	35
Periodical remuneration	21 280	1.06	9 633	2 237
Abnormal appointment	5 021	0.25	12 490	402
Total	**1 978 082**	**98.41**	**235 682**	**8 421**

* The number of employees in this table includes filled posts, as well as periodical and abnormal appointments. Therefore, the total number of employees is calculated as 8 421.

Table 4.3: Salaries, overtime, HOA and medical aid by programme

Programme	Salaries	Salaries as a percentage of personnel cost	Overtime	Overtime as a percentage of personnel cost	HOA	HOA as a percentage of personnel cost	Medical aid	Medical aid as a percentage of personnel cost	Total personnel cost per programme
	R'000	%	R'000	%	R'000	%	R'000	%	R'000
Administration	232 995	92.6	3 483	1.4	6 652	2.6	4 877	1.9	251 731
Intergovernmental Coordination	96 958	374.4	1 208	4.7	4 761	18.4	5 191	20	25 897
EPWP	108 622	81.1	4	0	4 759	3.6	3 120	2.3	133 953
Property and Construction Industry Policy and Research	890 655	67.6	17 901	1.4	49 345	3.7	52 426	4	1 318 186
Prestige Policy	9 297	59.8	179	1.2	332	2.1	309	2	15 551
Total	**1 338 527**	**76.7**	**22 775**	**1.3**	**65 849**	**3.8**	**65 923**	**3.8**	**1 745 318**

Table 4.4: Salaries, overtime, HOA and medical aid by salary band

Salary bands	Salaries	Salaries as a percentage of personnel cost	Overtime	Overtime as a percentage of personnel cost	HOA	HOA as a percentage of personnel cost	Medical aid	Medical aid as a percentage of personnel cost	Total personnel cost per salary band
	R'000	%	R'000	%	R'000	%	R'000	%	R'000
Lower skilled (levels 1–2)	87 928	64.3	1 649	1.2	12 476	9.1	14 127	10.3	136 721
Skilled (levels 3–5)	128 921	64.2	9 064	4.5	14 295	7.1	14 750	7.3	200 875
Highly skilled production (levels 6–8)	276 036	72.2	7 147	1.9	14 910	3.9	18 678	4.9	382 364
Highly skilled supervision (levels 9–12)	467 173	77.7	2 874	0.5	14 172	2.4	15 057	2.5	600 941
Senior management (levels 13–16)	163 261	80.6	39	0	8 661	4.3	3 053	1.5	202 510

Salary bands	Salaries	Salaries as a percentage of personnel cost	Overtime	Overtime as a percentage of personnel cost	HOA	HOA as a percentage of personnel cost	Medical aid	Medical aid as a percentage of personnel cost	Total personnel cost per salary band
	R'000	%	R'000	%	R'000	%	R'000	%	R'000
Contract (levels 1–2)	49 024	100.0	12	0	0	0	0	0	48 659
Contract (levels 3–5)	21 328	95	1 240	5.5	0	0	0	0	22 458
Contract (levels 6–8)	37 620	98.7	417	1.1	14	0	31	0.1	38 098
Contract (levels 9–12)	54 176	96.4	334	0.6	545	1	98	0.2	56 192
Contract (levels 13–16)	42 660	94.4	0	0	775	1.7	129	0.3	45 187
Periodical remuneration	10 386	91.9	0	0	0	0	0	0	11 299
Abnormal appointment	12	100.0	0	0	0	0	0	0	12
Total	**1 338 525**	**76.7**	**22 776**	**1.3**	**65 848**	**3.8**	**65 923**	**3.8**	**1 745 316**

4.3 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 and critical occupation.

Table 4.5: 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
Administration	1 045	972	73	6.99	661
Intergovernmental Coordination	16	15	1	6.25	2
EPWP	278	223	55	19.78	20
Property and Construction Industry Policy and Research	5 487	4 528	959	17.48	634
Prestige Policy	60	44	16	26.67	7
Total	**6 886**	**5 782**	**1 104**	**16.03**	**1 324**

Table 4.6: Employment and vacancies by salary band

Salary bands	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	1 270	1 069	201	15.83	0
Skilled (levels 3–5), permanent	1 233	1 013	220	17.84	0
Highly skilled production (levels 6–8), permanent	1 551	1 223	328	21.15	0
Highly skilled supervision (levels 9-12), permanent	1 316	1 009	307	23.33	0
Senior management (levels 13–16), permanent	192	144	48	25.00	0
Other, permanent	0	0	0	0	0
Contract (levels 1–2), permanent	749	749	0	0.00	749
Contract (levels 3–5), permanent	202	202	0	0.00	202
Contract (levels 6–8), permanent	178	178	0	0.00	178
Contract (levels 9–12), permanent	160	160	0	0.00	160
Contract (levels 13–16), permanent	35	35	0	0.00	35
Total	**6 886**	**5 782**	**1 104**	**16.03**	**1 324**

Table 4.7: 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	58	45	13	22.41	12
Chemical and physical science technicians	14	11	3	21.43	1
Civil engineering technicians	31	22	9	29.03	14
Electrical and electronics engineering technicians	8	5	3	37.50	3
Engineering sciences related	118	80	38	32.20	7
Engineers and related professionals	197	169	28	14.21	48
Mechanical engineering technicians	5	5	0	0.00	2
Quantity surveyors and related professionals not classed elsewhere	36	26	10	27.78	0

4.4 JOB EVALUATION

Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in their 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 4.8: Job evaluation by salary band

Salary band	Number of posts	Number of posts evaluated	Percentage of posts evaluated	Number of posts upgraded	Percentage of upgraded posts evaluated	Number of posts downgraded	Percentage of downgraded posts evaluated
Contract (levels 1–2)	749	0	0	0	0	0	0
Contract (levels 3–5)	202	0	0	0	0	0	0
Contract (levels 6–8)	178	0	0	0	0	0	0
Contract (levels 9–12)	160	0	0	0	0	0	0
Contract (Band A)	19	0	0	0	0	0	0
Contract (Band B)	7	0	0	0	0	0	0
Contract (Band C)	8	0	0	0	0	0	0
Contract (Band D)	1	0	0	0	0	0	0
Skilled (levels 3–5)	1 816	33	1.8	33	100	0	0
Highly skilled production (levels 6–8)	1 233	2	0.1	1	50	0	0
Highly skilled supervision (levels 9–12)	1 551	13	1	4	30.8	0	0
Senior Management Service Band A	1 316	0	0	0	0	0	0
Senior Management Service Band B	131	0	0	0	0	0	0
Senior Management Service Band C	48	0	0	0	0	0	0
Senior Management Service Band D	10	0	0	0	0	0	0
Total	**7 429**	**48**	**0.6**	**38**	**79.2**	**0**	**0**

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 4.9: 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	**36**	**0**	**1**	**1**	**38**
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 4.10: 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	Number 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 summarises the beneficiaries of the above in terms of race, gender and disability.

Table 4.11: 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

4.5 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 4.12: Annual turnover rates by salary band

Salary band	Employment at the beginning of the period (April 2016)	Appointments	Terminations	Turnover rate as a percentage
Lower skilled (levels 1–2)	1 710	380	601	35.14
Skilled (levels 3–5)	1 032	3	107	10.37
Highly skilled production (levels 6–8)	1 157	15	35	3.03
Highly skilled supervision (levels 9–12)	935	6	30	3.21
Senior Management Service Band A	176	1	14	7.95
Senior Management Service Band B	39	0	2	5.13
Senior Management Service Band C	6	0	0	0
Senior Management Service Band D	3	0	0	0
Total	**5 058**	**405**	**789**	**15.59**

Table 4.13: Annual turnover rates by critical occupation

Salary band	Employment at the beginning of the period (April 2016)	Appointments	Terminations	Turnover rate as a percentage
Architects town and traffic planners	42	3	6	14.29
Chemical and physical science technicians	9	0	0	0.00
Civil engineering technicians	17	2	1	5.88
Electrical and electronics engineering technicians	6	1	1	16.67
Engineering sciences related	83	4	7	8.43
Engineers and related professionals	138	29	11	7.97
Mechanical engineering technicians	4	0	0	0.00
Quantity surveyors and related professionals not classed elsewhere	29	0	2	6.90

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

Table 4.14: Reasons why staff left the Department

Termination type	Number	Percentage of total resignations	Percentage of total employment
Death	26	3.01	0.45
Resignation	208	24.07	3.60
Expiry of contract	439	55.64	8.89
Transfers	0	0	0
Discharged due to ill health	8	0.93	0.14
Dismissal-misconduct	8	0.93	0.14
Retirement	100	11.57	1.73
Total	**789**	**100**	**14.94**
Terminations as a percentage of employment			

Table 4.15: Promotions by critical occupation

Occupation	Employment at the beginning of the period (April 2016)	Promotions to another salary level	Salary level promotions as a percentage of employment	Progressions to another notch within salary level	Notch progressions as a percentage of employment
Architects town and traffic planners	42	1	2.38	18	42.86
Chemical and physical science technicians	9	0	0.00	6	66.67
Civil engineering technicians	17	0	0.00	6	35.29
Electrical and electronics engineering technicians	6	0	0.00	3	50.00
Engineering sciences related	83	0	0.00	51	61.45
Engineers and related professionals	138	1	0.72	71	51.45
Mechanical engineering technicians	4	0	0.00	3	75.00
Quantity surveyors and related professionals not classed elsewhere	29	0	0.00	19	65.52

Table 4.16: Promotions by salary band

Salary band	Employment at the beginning of the period (April 2016)	Promotions to another salary level	Salary level promotions as a percentage of employment	Progressions to another notch within salary level	Notch progressions as a percentage of employment
Lower skilled (levels 1–2)	1 710	0	0	453	26.49
Skilled levels 3–5)	1 032	7	0.68	767	74.32
Highly skilled production (levels 6–8)	1 157	26	2.25	1 005	86.86
Highly skilled supervision (levels 9–12)	935	16	1.71	661	70.70
Senior management (levels 13–16)	224	5	2.23	148	66.07
Total	**5 058**	**54**	**1.07**	**3 034**	**59.98**

4.6 EMPLOYMENT EQUITY

Table 4.17: Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2017

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior officials and managers	74	2	4	12	40	3	4	7	146
Professionals	255	27	22	255	249	8	1	24	841
Technicians and associate professionals	468	24	7	38	698	32	7	65	1 339
Clerks	377	23	4	26	651	23	13	71	1 188
Service shop and market sales worker	102	5	0	3	60	1	0	0	171
Craft and related trade workers	125	42	8	52	30	1	0	0	258
Plant and machine operators and associated	47	8	3	0	24	1	0	0	83
Labourers and related workers	604	188	7	11	1 000	115	1	3	1 929
Total	**2 052**	**319**	**55**	**397**	**2 752**	**184**	**26**	**170**	**5 955**
Employees with disabilities	23	9	1	14	12	1	0	7	67

Table 4.18: Total number of employees (including employees with disabilities) in each of the following occupational bands on 31 March 2017

Occupational categories	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	87	6	13	42	50	3	4	14	219
Professionally qualified and experienced specialists and mid-management, permanent	408	36	18	77	336	14	6	33	928
Skilled technical and academically qualified workers, junior management, supervisors, foremen, permanent	359	60	5	55	597	31	9	110	1 226
Semi-skilled and discretionary decision making, permanent	430	172	6	15	333	63	1	1	1 021
Unskilled and defined decision making, permanent	448	39	4	3	860	56	1	4	1 415
Contract (top management), permanent	4	0	1	0	1	0	1	1	9
Contract (senior management), permanent	17	0	1	0	6	0	0	0	24

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Contract (professionally qualified), permanent	66	2	7	2	63	2	1	6	146
Contract (skilled technical), permanent	69	0	0	0	110	2	2	1	184
Contract (semi-skilled), permanent	82	0	0	0	105	1	0	0	188
Contract (unskilled), permanent	77	3	0	3	290	12	0	0	382
Total	**2 052**	**319**	**55**	**198**	**2 752**	**184**	**26**	**170**	**5 756**

Table 4.19: Recruitment

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior management	0	0	0	0	1	0	0	0	1
Professionally qualified and experienced specialists and mid-management	4	0	0	0	2	0	0	0	6
Skilled technical and academically qualified workers, junior management, supervisors, foremen	0	0	0	1	0	0	0	0	1
Semi-skilled and discretionary decision making	10	1	0	0	4	0	0	0	15
Unskilled and defined decision making	2	0	0	0	1	0	0	0	3
Contract (senior management)	92	3	0	1	127	0	0	1	224
Contract (professionally qualified)	4	0	0	0	1	0	0	0	5
Contract (skilled technical)	24	1	0	2	31	0	0	4	62
Contract (semi-skilled)	5	0	0	0	6	0	0	0	11
Contract (unskilled)	13	14	0	0	43	20	0	0	90
Total	154	19	0	4	216	20	0	5	418

Table 4.20: Promotion (includes promotion to salary level and progressions to another notch within the salary level)

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior management	51	5	12	37	31	3	2	12	153
Professionally qualified and experienced specialists and mid-management	286	24	14	53	254	12	4	30	677
Skilled technical and academically qualified workers, junior management, supervisors, foremen	292	48	3	48	507	29	10	94	1 031
Semi-skilled and discretionary decision making	293	115	3	10	289	62	1	1	774
Unskilled and defined decision making	139	10	0	0	285	19	0	0	453
Contract (senior management)	3	0	0	7	1	0	0	0	11
Contract (professionally qualified)	7	0	1	0	1	1	0	0	10
Contract (skilled technical)	2	0	0	0	19	2	0	0	23
Contract (semi-skilled)	1	0	0	0	2	0	0	0	3
Contract (unskilled)	1	0	0	0	2	0	0	0	3
Total	**1 075**	**202**	**33**	**155**	**1 391**	**128**	**17**	**137**	**3 138**
Employees with disability	16	7	0	15	9	2	0	6	55

Table 4.21: Terminations

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior management	6	0	0	6	3	1	0	0	16
Professionally qualified and experienced specialists and mid-management	9	2	1	9	8	0	0	1	30
Skilled technical and academically qualified workers, junior management, supervisors, foremen	15	4	0	6	5	2	0	3	35
Semi-skilled and discretionary decision making	47	18	0	1	33	8	0	0	107
Unskilled and defined decision making,	121	3	1	0	188	3	2	0	318
Contract (senior management)	0	0	1	1	1	0	0	0	3
Contract (professionally qualified)	5	0	0	4	6	0	0	0	15
Contract (skilled technical)	11	0	2	3	3	0	1	0	20
Contract (semi-skilled	10	0	1	0	15	0	0	0	26
Contract (unskilled)	10	0	0	0	18	1	0	0	29
Total	**234**	**27**	**6**	**30**	**280**	**15**	**3**	**4**	**599**
Employees with disabilities	3	0	0	3	1	1	1	0	9

Table 4.22: Disciplinary action

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Total	67	6	4	1	35	0	0	2	115

Table 4.23: Skills development

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	44	1	1	2	37	1	0	4	90
Professionals	170	4	10	43	160	1	5	14	407
Technicians and associated professionals	60	1	8	5	47	0	2	1	124
Clerks	213	8	0	2	401	18	8	20	670
Service and sales workers	84	0	0	1	58	0	0	0	143
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	83	5	4	0	24	0	0	0	116
Plant and machine operators and assemblers	28	3	0	0	21	0	0	0	52
Elementary occupations	45	1	0	0	151	8	0	0	205
Total	**727**	**23**	**23**	**53**	**899**	**28**	**15**	**39**	**1 807**
Employees with disabilities	10	0	0	0	0	1	0	0	11

4.7 PERFORMANCE REWARDS

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

Table 4.24: 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	1 368	2 740	49.93	8 897	6 504.10
African, male	1 081	2 029	53.28	7 839	7 252.20
Asian, female	15	26	57.69	140	9 346.62
Asian, male	32	54	59.26	433	13 539.33
Coloured, female	119	183	65.03	688	5 787.12
Coloured, male	219	310	70.65	1 275	5 823.41
Total blacks, female	1 502	2 949	50.93	9 726	6 475.68
Total blacks, male	1 332	2 393	55.66	9 548	7 168.33
White, female	128	163	78.53	1 465	11 446.15
White, male	143	210	68.10	1 992	13 933.35
Employees with a disability	45	67	67.16	355	7 890.74
Total	**3 150**	**5 782**	**54.48**	**23 087**	**7 329.32**

Table 4.25: Performance rewards by salary band for personnel below Senior Management Service (SMS)

Salary band	Number of beneficiaries	Total employment	Percentage of total employment	Cost (R'000)	Average cost per beneficiary (R)
Lower skilled (levels 1–2)	684	1 415	48.33	1 912	2 796.10
Skilled (levels 3–5)	867	1 021	84.92	3 220	3 714.52
Highly skilled production (levels 6–8)	894	1 226	72.92	6 921	7 742.10
Highly skilled supervision (levels 9–12)	600	928	64.66	8 789	14 649.40
Contract (levels 1–2)	0	382	0.00	0	0
Contract (levels 3–5)	3	188	1.60	17	5 824.68
Contract (levels 6–8)	11	186	5.91	100	9 119.52
Contract (levels 9–12)	10	166	6.02	185	18 521.71
Periodical remuneration	–	–	–	–	–
Abnormal appointment	–	–	–	–	–
Total	**3 069**	**5 512**	**55.68**	**21 147**	**6 890.57**

Table 4.26: Performance rewards by critical occupation

Critical occupations	Number of beneficiaries	Total employment	Percentage of total employment	Cost (R'000)	Average cost per beneficiary (R'000)
Architects town and traffic planners	22	45	48.89	391.40	17 791.07
Chemical and physical science technicians	6	11	54.55	48.66	8 110.45
Civil engineering technicians	9	22	40.91	98.94	10 993.54
Engineering sciences related	60	80	75.00	985.48	16 424.75
Engineers and related professionals	77	169	45.56	1 293.11	16 793.69
Mechanical engineering technicians	3	5	60.00	38.69	12 896.56
Quantity surveyors and related professions not classed elsewhere	13	26	50.00	217.56	16 735.38

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

Table 4.27: Performance-related rewards (cash bonus), by salary band for SMS

SMS band	Number of beneficiaries	Total employment	Percentage of total employment	Cost (R)	Average cost per beneficiary (R)
Band A	80	205	39.02	1 917 000	23 962.47
Band B	1	47	2.13	2 320 000	23 199.29
Band C	0	14	0.00	0	0
Band D	0	4	0.00	0	0
Total	**81**	**270**	**30.00**	**1 940 000**	**23 953.05**

The SMS was paid performance bonuses in the 2016/17 cycle for the 2015/16 cycle.

4.8 FOREIGN WORKERS

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

Table 4.28: Foreign workers by salary band

Salary band	1 April 2016		31 March 2017		Change	
	Number	Percentage of total	Number	Percentage of total	Number	Percentage of total
Lower skilled (levels 1–2)	1	6.25	1	2.5	0	0
Skilled (level 3–5)	1	6.25	1	2.5	0	0
Highly skilled supervision (levels 9–12)	8	50	31	77.50	23	95.8
Senior management (levels 13–16)	6	37.50	7	17.5	1	4.2
Contract (levels 3–5)	0	0	0	0	0	0
Contract (levels 9–12)	0	0	0	0	0	0
Contract (levels 13–16)	0	0	0	0	0	0
Total	**16**	**100**	**40**	**100**	**24**	**100**

Table 4.29: Foreign workers by major occupation

Major occupation	1 April 2016		31 March 2017		Change	
	Number	Percentage of total	Number	Percentage of total	Number	Percentage of total
Administrative office workers	2	12.50	2	5	0	0
Elementary occupations	2	12.50	2	5	0	0
Professionals and managers	12	75	36	90	24	100
Total	**16**	**100**	**40**	**100**	**24**	**100**

4.9 LEAVE UTILISATION

The PSC 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 4.30: Sick leave

Salary band	Total days	Percentage days with medical certification	Number of employees using sick leave	Percentage of total employees using sick leave	Average days per employee	Estimated cost (R'000)
Contract (levels 1–2)	1 785	47.96	415	9.33	4.3	520
Contract (levels 3–5)	547	38.94	120	2.7	4.56	324
Contract (levels 6–8)	721	35.09	147	3.31	4.9	836
Contract (levels 9–12)	439	29.65	92	2.07	4.77	1 066
Contract (levels 13–16)	146	64.38	32	.72	4.56	572
Lower skilled (levels 1–2)	7 205	52.98	773	17.39	9.32	3 514
Skilled (levels 3–5)	8 132	54.95	813	18.29	10	5 135
Highly skilled production (levels 6–8)	9 849	49.3	1 083	24.37	9.09	12 101
Highly skilled supervision (levels 9–12)	6 466	46.5	796	17.91	8.12	15 746
Senior management (levels 13–16)	1 165	38.03	173	3.89	6.73	4 342
Total	**36 455**	**49.21**	**4 444**	**100**	**8.2**	**44 156**

Table 4.31: Disability leave (temporary and permanent)

Salary band	Total days	Percentage days with medical certification	Number of employees using disability leave	Percentage of total employees using disability leave	Average days per employee	Estimated cost (R'000)
Contract (levels 1–2)	98	100	1	1.96	98	41
Contract (levels 9–12)	29	100	3	5.88	9.67	57
Lower skilled (levels 1–2)	373	100	8	15.69	46.63	175
Skilled (levels 3–5)	1 224	100	17	33.33	72	780
Highly skilled production (levels 6–8)	196	97.45	9	17.65	21.78	224
Highly skilled supervision (levels 9–12)	492	100	13	25.49	37.85	1 204
Total	**2 412**	**99.79**	**51**	**100**	**47.29**	**2 481**

The table below summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the Public Service Coordinating Bargaining Council (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 4.32: Annual leave

Salary band	Total days taken	Average days per employee	Number of employees who took leave
Contract (levels 1–2)	10 544	10.77	979
Contract (levels 3–5)	2 361	11.57	204
Contract (levels 6–8)	2 575	12.44	207
Contract (levels 9–12)	1 756	11.18	157
Contract (levels 13–16)	755	11.62	65
Lower skilled (levels 1–2)	19 985	18.42	1 085
Skilled (levels 3–5)	25 612	22.02	1 163
Highly skilled production (levels 6–8)	28 528	22.13	1 289
Highly skilled supervision (levels 9–12)	22 385	22.41	999
Senior management (levels 13–16)	5 711	22.4	255
Total	**120 212**	**18.77**	**6 403**

Table 4.33: 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 2016	Number of employees who took capped leave
Lower skilled (levels 1–2)	0	0	36	0
Skilled (levels 3–5)	190	6.79	58	28
Highly skilled production (levels 6–8)	202	13.48	37	15
Highly skilled supervision (levels 9–12)	81	7.36	53	11
Senior management (levels 13–16)	7	1.75	49	4
Total	**480**	**8**	**51**	**58**

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

Table 4.34: 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 2016/17	10 823	250	43 290
Current leave pay-outs on termination of service for 2016/17	1 509	79	19 097
Total	**12 332**	**329**	**37 481**

4.10 HIV/AIDS AND HEALTH PROMOTION PROGRAMMES

Table 4.35: Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV and 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 contribute to the spread of HIV and sexually transmitted infections (STI) in the industry and the communities in which it does business.	As custodian and main player in the construction sector, the national DPW developed an HIV/AIDS strategy for the construction sector to protect and support the industry's workforce.

Table 4.36: 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 Mahlatjie: Director: Organisational Development
2. Does the Department have a dedicated unit or have you designated specific staff members to promote the 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 and Wellness (HIV Advocacy and Environmental Health and Wellness. Fifteen staff members. (Budget = R650 000 per annum, excluding compensation of employees 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 programmes 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 has been established and is constituted of HR representatives from 11 regional offices.
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 labour 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		A 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 resting? If so, list the results that you have achieved.	Yes		The Department collaborates with Government Employees Medical Scheme (GEMS) and NGOs in providing on-site opportunities for health screening, HIV counseling and testing, and TB screening is done, as well as screening for glucose, cholesterol and blood pressure. A total of 1 559 HIV counselling and testing sessions have taken place.
8. Has the Department developed measures/indicators to monitor and evaluate the impact of your health promotion programme? If so, list these measures/indicators.	Yes		Utilisation rate of health and wellness service: • Number of employees attending wellness events. • Number of wellness events, workshops and training conducted. • Sick leave utilisation (reduction). • Number of employees living openly with HIV

4.11 LABOUR RELATIONS

Table 4.37: 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 4.38: Misconduct and disciplinary hearings finalised

Outcomes of disciplinary hearings	Number	Percentage of total	Total
Dismissals	6	5	6
Suspension	7	6	7
Demotion	1	0.86	1
Final written warnings	29	25	29
Written warnings	57	50	57
Verbal written warning	13	11	13
Not guilty	1	0.86	1
Withdrawals	1	0.86	1
Total	**115**	**100**	**115**

Table 4.39: Types of misconduct addressed at disciplinary hearings

Type of misconduct	Number	Percentage of total	Total
Bribes or cases of fraud, corruption and nepotism	3	2.6	3
Theft	1	0.86	1
Absent from work without reason or permission	18	16	18
Non-compliance with the procurement procedures and Treasury Regulations	15	13	15
Displayed disrespectful, disgraceful and unacceptable behaviour	2	2	2
Assault or attempted assault	2	2	2
Misuse, abuse or unauthorised use of state property	8	7	8
Negligence or dereliction of duties	51	44	51
Failure to carry out lawful instructions or insubordination	6	5	6
Being in possession of drugs, drinking on duty or under the influence of an intoxicating substance	3	2.6	3
Giving a false statement or the misrepresentation of facts	3	2.6	3
Contravention of any code of conduct for the public service	3	2.6	3
Total	**115**	**100**	**115**

Table 4.40: Grievances logged

Number of grievances addressed	Number	Percentage of total	Total
Not resolved	0	0	0
Resolved	88	100	88
Total	**88**	**100**	**88**

Table 4.41: Disputes logged

Number of disputes addressed	Number	Percentage of total
Upheld	2	16
Dismissed	11	84
Total	**13**	**100**

Table 4.42: Strike actions

Number of disputes addressed	
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 4.43: Precautionary suspensions

Precautionary suspensions	
Number of people suspended	1
Number of people whose suspension exceeded 30 days	1
Average number of days suspended	90 days
Cost (R) of suspensions	R68 130.98

4.12 SKILLS DEVELOPMENT

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

Table 4.44: Training needs identified

Occupational categories	Gender	Employment	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	90	129	60	189
Legislators, senior officials and managers	Male	89	142	40	182
Professionals	Female	273	209	103	312
Professionals	Male	380	202	80	282
Technicians and associate professionals	Female	787	161	110	271
Technicians and associate professional	Male	530	118	50	168
Clerks	Female	780	163	108	271
Clerks	Male	428	100	60	160
Service and sales workers	Female	61	17	8	25
Service and sales workers	Male	110	39	20	59
Labourers and related workers	Female	1 107	0	0	0
Labourers and related workers	Male	808	0	0	0
Craft and related trades workers	Female	31	4	4	8
Craft and related trades workers	Male	227	5	2	7
Plant and machine operators and assemblers	Female	24	5	0	5
Plant and machine operators and assemblers	Male	57	9	4	13
Elementary occupations	Female	0	76	50	126
Elementary occupations	Male	0	111	80	191
Gender subtotals	Female	3 153	764	443	1 207
Gender subtotals	Male	2 629	726	336	1 062
Total		**5 782**	**1 490**	**779**	**2 269**

Table 4.45: Training provided for the period

Occupational categories	Gender	Employment	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	90	12	30	42
Legislators, senior officials and managers	Male	89	17	31	48
Professionals	Female	273	101	79	180
Professionals	Male	380	117	110	227

Occupational categories	Gender	Employment	Skills programmes and other short courses	Other forms of training	Total
Technicians and associate professionals	Female	787	37	13	50
Technicians and associate professional	Male	530	63	11	74
Clerks	Female	780	349	98	447
Clerks	Male	428	184	39	223
Service and sales workers	Female	61	54	4	58
Service and sales workers	Male	110	79	6	85
Skilled agriculture and fishery workers	Female	1 107	0	0	0
Skilled agriculture and fishery workers	Male	808	0	0	0
Craft and related trades workers	Female	31	20	4	24
Craft and related trades workers	Male	227	74	18	92
Plant and machine operators and assemblers	Female	24	19	2	21
Plant and machine operators and assemblers	Male	57	29	2	31
Elementary occupations	Female	0	104	55	159
Elementary occupations	Male	0	25	21	46
Gender subtotals	Female	3 153	696	285	981
Gender subtotals	Male	2 629	588	238	826
Total		**5 782**	**1 284**	**523**	**1 807**

Table 4.46: Skills development (human capital investment)

Programme	Area of development	Female	Male	Total
Young Professionals Programme	Built environment: engineering, town planning, urban design, property valuations, quantity surveying, construction project management, architectural, landscape architectural	32	22	54
Management trainees	Property management (real estate)	20	23	43
Artisan trainees	Facilities management (carpentry, building, electrical, plumbing)	63	49	112
Internships	Built environment, inclusive of water graduates and support (SCM, finance, administration)	457	233	690
Technical learnerships	Facilities management (plumbing, solar geyser installation, electrical)	344	299	643
Bursary holders	Same as for built environment, property management (including actuarial science and facilities management)	95	109	204
Schools programmes	Mathematics and physical science advancement	75	88	163
Total		**1 086**	**823**	**1 909**

4.13 INJURY ON DUTY

The following tables provide basic information on injury on duty.

Table 4.47: Injury on duty

Nature of injury on duty	Number	Percentage of total
Required basic medical attention only	34	82.9
Temporary total disablement	6	14.6
Permanent disablement	1	2.4
Fatal	0	0
Total	**41**	**100**

CHAPTER 5

FINANCIAL INFORMATION

Part A: The Department of Public Works (main vote)
Part B: The Property Management Trading Entity

NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

Annual financial statements for the year ended 31 March 2017

Contents

The statement set out below comprise the annual financial statements presented to Parliament.

The annual financial statements set out on pages 124 to 224,which have been prepared on the going-concern basis, were approved by the accounting officer on 31 July 2017.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE NO. 11: DEPARTMENT OF PUBLIC WORKS

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Department of Public Works set out on pages 124 to 200, which comprise the Appropriation Statement, the Statement of Financial Position as at 31 March 2017, and 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 to the Financial Statements, including a summary of significant accounting policies.
2. 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 2017, and its financial performance and cash flows for the year then ended in accordance with the Modified Cash Standard (MCS) prescribed by 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, 2016 (Act No. 3 of 2016) (DoRA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the national department in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for professional accountants (IESBA Code), together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion

Emphasis of matter

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

Material losses/impairments – trade debtors

7. As disclosed in note 12.6 to the financial statements, the Department incurred material impairments of R57 817 000 as a result of provision for irrecoverable receivables.

Other matters

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

Unaudited supplementary schedules

9. The supplementary information set out on pages 201 to 224 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.

Predetermined objectives

10. For the current financial year, the Department's Annual Performance Plan for 2016–17 did not include the Medium-term Strategic Framework (MTSF) indicator for "number of work opportunities created", which is an integral part of the Department's mandate under Programme 3: Expanded Public Works Programme.

Responsibilities of the Accounting Officer for the financial statements

11. The Accounting Officer is responsible for the preparation and fair presentation of the financial statements in accordance with the MCS as prescribed by National Treasury and the requirements of the PFMA and 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.
12. In preparing the financial statements, the Accounting Officer is responsible for assessing the DPW's ability to continue as a going concern, disclosing, as applicable, matters relating to a going concern and using the going-concern basis of accounting, unless there is an intention either to liquidate the national department or to cease operations, or there is no realistic alternative but to do so.

The Auditor-General's responsibilities for the audit of the financial statements

13. My objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

15. 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 material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings, but not to gather evidence to express assurance.
16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the national department. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the Department for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 3 – Expanded Public Works Programme	56
Programme 4 – Property and Construction Industry Policy and Research	57
Programme 5 – Prestige Policy	58

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

Programme 3 – Expanded Public Works Programme

Indicator 4 – Number of public bodies provided with technical support

20. The reported achievement for the target on technical support provided to public bodies was misstated as the evidence provided indicated 190 cases of technical support provided to public bodies and not 297 cases of technical support provided to public bodies as reported

Programme 4 – Property and Construction Industry Policy and Research

21. I did not identify any material findings on the usefulness and reliability of the reported performance information.

Programme 5 – Prestige Policy

Indicator 2 – Number of working days taken to resolve mechanical breakdowns after logging of complaint

22. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target number of working days taken to resolve mechanical breakdowns after the logging of a complaint, as evidence provided did not agree with the recorded achievements. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 7 736 mechanical breakdowns.

Indicator 3 – Number of working days taken to resolve emergency breakdowns after logging of complaint

23. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target number of working days taken to resolve emergency breakdowns after the logging of a complaint. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 6 372 emergency breakdowns.

Other matters

24. I draw attention to the matters below.

Achievement of planned targets

25. Refer to the Annual Performance Report on page(s) 46 to 48 and 49 to 58 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 20, 22 and 23 of this report.

Adjustments of material misstatements on the annual performance report

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 4 – Property and Construction Industry Policy and Research. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

27. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the Department with specific matters in key legislation. I performed procedures to identify findings, but not to gather evidence to express assurance.
28. I did not identify any instances of material non-compliance with specific matters in key legislation as set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

29. The Department and Accounting Officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the Audit Committee's report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
30. My opinion on the financial statements and findings on the reported performance information does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
31. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

32. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation. However, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report included in this report.

Leadership

Inadequate monitoring of action plan to address prior-year findings resulting in similar findings in the current year.

Performance management

Regular, accurate and complete performance reports were not always supported and evidenced by reliable information.

OTHER REPORTS

33. I draw attention to the following engagements conducted by various parties that had, or 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

34. 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

Auditor-General

Pretoria
Date: 31 July 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the national department's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
   - obtain an understanding of internal control relevant to the audit 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 national department's internal control.
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
   - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department of Public Works ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a national department to cease to continue as a going concern.
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

APPROPRIATION STATEMENT

Appropriation per programme									
	2016/17							2015/16	
Voted funds and Direct charges	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
Programme									
1. Administration	516 006	–	–	516 006	450 444	65 562	87.3%	480 334	479 150
2. Intergovernmental Coordination	28 639	–	–	28 639	16 477	12 162	57.5%	46 015	44 747
3. Expanded Public Works Programme	2 319 500	–	–	2 319 500	2 301 446	18 054	99.2%	1 953 369	1 939 909
4. Property and Construction Industry Policy and Research	3 552 562	–	527	3 553 089	3 547 048	6 041	99.8%	3 742 985	3 735 387
5. Prestige Policy	96 092	–	(527)	95 565	87 931	7 634	92.0%	89 519	81 954
Subtotal	**6 512 799**	**–**	**–**	**6 512 799**	**6 403 346**	**109 453**	**98.3%**	**6 312 222**	**6 281 147**
Reconciliation with Statement of financial performance									
ADD									
Departmental receipts				14 608				7 106	
Actual amounts per Statement of financial performance (total revenue)				**6 527 407**				**6 319 328**	
Actual amounts per Statement of financial performance (total expenditure)					**6 403 346**				**6 281 147**

Appropriation per economic classification

	2016/17							2015/16	
	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
Economic classification									
Current payments	**905 083**	**(2 940)**	**(23)**	**902 120**	**804 919**	**97 201**	**89.2%**	**827 352**	**801 893**
Compensation of employees	471 825	(1 564)	–	470 261	438 827	31 434	93.3%	454 959	435 858
Salaries and wages	419 662	54	–	419 716	393 897	25 819	93.8%	408 888	393 112
Social contributions	52 163	(1 618)	–	50 545	44 930	5 615	88.9%	46 071	42 746
Goods and services	433 258	(1 376)	(23)	431 859	366 092	65 767	84.8%	370 820	364 462
Administrative fees	1 282	1 000	–	2 282	1 429	853	62.6%	1 167	1 162
Advertising	7 812	(2 837)	–	4 975	4 277	698	86.0%	8 125	7 389
Minor assets	7 246	(3 449)	–	3 797	3 399	398	89.5%	3 471	3 447
Audit costs: External	21 145	(4 398)	–	16 747	9 605	7 142	57.4%	16 420	16 420
Bursaries: Employees	2 203	(2 155)	–	48	48	–	100.0%	147	147
Catering: Departmental activities	1 618	294	–	1 912	1 724	188	90.2%	1 893	1 866
Communication	7 916	631	–	8 547	5 912	2 635	69.2%	12 816	12 644
Computer services	39 573	2 843	–	42 416	31 585	10 831	74.5%	40 207	40 200
Consultants: Business and advisory services	15 152	13 004	459	28 615	25 700	2 915	89.8%	26 508	26 214
Infrastructure and planning services	19 442	12 780	–	32 222	32 222	–	100.0%	25 510	25 340
Legal services	20 038	(2 636)	–	17 402	17 402	–	100.0%	14 987	14 987
Contractors	38 337	(14 555)	–	23 782	22 766	1 016	95.7%	43 693	43 599
Agency and support/ outsourced services	110 072	(5 222)	–	104 850	90 920	13 930	86.7%	99 779	98 892

Appropriation per economic classification	2016/17							2015/16	
	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
Entertainment	449	(77)	–	372	160	212	43.0%	213	177
Fleet services (including government motor transport)	2 277	518	–	2 795	2 134	661	76.3%	1 914	1 914
Consumable supplies	7 515	(1 154)	–	6 361	5 649	712	88.8%	2 073	2 071
Consumable: Stationery, printing and office supplies	6 504	1 059	(143)	7 420	6 080	1 340	81.9%	6 834	5 482
Operating leases	21 507	1 407	–	22 914	20 520	2 394	89.6%	3 947	3 920
Property payments	35 974	2 385	–	38 359	27 485	10 874	71.7%	1 390	1 390
Travel and subsistence	40 751	1 042	–	41 793	38 809	2 984	92.9%	45 640	43 543
Training and development	14 477	(4 443)	–	10 034	6 168	3 866	61.5%	5 083	5 083
Operating payments	5 205	2 015	–	7 220	5 842	1 378	80.9%	5 623	5 295
Venues and facilities	5 471	386	–	5 857	5 117	740	87.3%	3 135	3 035
Rental and hiring	1 292	186	(339)	1 139	1 139	–	100.0%	245	245
Interest and rent on land	–	–	–	–	–	–	–	1 573	1 573
Interest (Incl. interest on unitary payments)	–	–	–	–	–	–	–	1 573	1 573
Transfers and subsidies	**5 570 208**	**1 565**	**–**	**5 571 772**	**5 571 249**	**523**	**100.0%**	**5 412 407**	**5 411 314**
Provinces and municipalities	1 425 668	–	–	1 425 668	1 425 666	2	100.0%	1 140 001	1 139 399
Provinces	761 671	–	–	761 671	761 671	–	100.0%	552 310	551 710
Provincial Revenue Funds	761 671	–	–	761 671	761 671	–	100.0%	552 310	551 710
Municipalities	663 997	–	–	663 997	663 995	2	100.0%	587 691	587 689
Municipal bank accounts	663 997	–	–	663 997	663 995	2	100.0%	587 691	587 689
Departmental agencies and accounts	3 507 375	–	–	3 507 375	3 507 343	32	100.0%	3 653 519	3 653 519

Appropriation per economic classification									
	2016/17							2015/16	
	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
Departmental agencies (non-business accounts)	3 507 375	–	–	3 507 375	3 507 343	32	100.0%	3 653 519	3 653 519
Foreign governments and international organisations	28 234	–	–	28 234	28 234	–	100.0%	23 273	23 363
Public enterprises	–	–	–	–	–	–	–	50 000	50 000
Other transfers to public enterprises	–	–	–	–	–	–	–	50 000	50 000
Non-profit institutions	600 427	–	–	600 427	600 427	–	100.0%	535 147	535 147
Households	8 504	1 564	–	10 068	9 579	489	95.1%	10 467	9 886
Social benefits	3 504	(1 087)	–	2 417	1 928	489	79.8%	1 376	795
Other transfers to households	5 000	2 651	–	7 651	7 651	–	100.0%	9 091	9 091
Payments for capital assets	**37 508**	**–**	**–**	**37 508**	**25 779**	**11 729**	**68.7%**	**28 060**	**23 537**
Machinery and equipment	37 508	(6 057)	–	31 451	19 722	11 729	62.7%	27 703	23 180
Transport equipment	–	–	–	–	–	–	–	949	949
Other machinery and equipment	37 508	(6 057)	–	31 451	19 722	11 729	62.7%	26 754	22 231
Software and other intangible assets	–	6 057	–	6 057	6 057	–	100.0%	357	357
Payments for financial assets	**–**	**1 376**	**23**	**1 399**	**1 399**	**–**	**100.0%**	**44 403**	**44 403**
Total	**6 512 799**	**–**	**–**	**6 512 799**	**6 403 346**	**109 453**	**98.3%**	**6 312 222**	**6 281 147**

PROGRAMME 1: Administration									
	2016/17							2015/16	
	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
Sub-programme									
Ministry	3 155	168	–	31 323	25 519	5 804	81.5%	25 265	25 265
Management	90 472	2 892	–	93 364	90 633	2 731	97.1%	114 739	114 739
Corporate Services	275 715	1 435	–	277 150	251 899	25 251	90.9%	272 060	271 694
Finance and Supply Chain Management	69 264	(4 495)	–	64 769	45 490	19 279	70.2%	68 270	67 452
Office Accomodation	49 400	–	–	49 400	36 903	12 497	74.7%	–	–
Total for sub-programmes	**516 006**	**–**	**–**	**516 006**	**450 444**	**65 562**	**87.3%**	**480 334**	**479 150**
Economic classification									
Current payments	**486 029**	**(1 563)**	**–**	**484 466**	**425 719**	**58 747**	**87.9%**	**427 417**	**427 417**
Compensation of employees	254 247	(457)	–	253 790	240 436	13 354	94.7%	251 731	251 731
Salaries and wages	226 910	(457)	–	226 453	215 810	10 643	95.3%	229 033	229 033
Social contributions	27 337	–	–	27 337	24 626	2 711	90.1%	22 698	22 698
Goods and services	231 782	(1 106)	–	230 676	185 283	45 393	80.3%	174 448	174 448
Administrative fees	1 282	999	–	2 281	1 428	853	62.6%	1 162	1 162
Advertising	2 308	(574)	–	1 734	1 200	534	69.2%	3 904	3 904
Minor assets	655	156	–	811	612	199	75.5%	597	597
Audit costs: External	21 145	(4 398)	–	16 747	9 605	7 142	57.4%	16 420	16 420
Bursaries: Employees	2 203	(2 155)	–	48	48	–	100.0%	147	147
Catering: Departmental activities	1 200	6	–	1 206	1 076	130	89.2%	980	980
Communication	5 609	947	–	6 556	4 559	1 997	69.5%	10 993	10 993
Computer services	39 069	2 843	–	41 912	31 585	10 327	75.4%	39 860	39 860

PROGRAMME 1: Administration	2016/17							2015/16	
	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
Consultants: Business and advisory services	8 051	12 084	–	20 135	17 585	2 550	87.3%	18 785	18 785
Legal services	20 038	(2 636)	–	17 402	17 402	–	100.0%	14 987	14 987
Contractors	3 681	292	–	3 973	3 026	947	76.2%	4 770	4 770
Agency and support/ outsourced services	24 639	(4 855)	–	19 784	18 285	1 499	92.4%	23 503	23 503
Entertainment	209	(4)	–	205	107	98	52.2%	107	107
Fleet services	1 852	(56)	–	1 796	1 203	593	67.0%	1 425	1 425
Consumable supplies	1 196	3 246	–	4 442	4 385	57	98.7%	1 300	1 300
Consumable: Stationery, printing and office supplies	3 677	941	–	4 618	3 962	656	85.8%	3 144	3 144
Operating leases	20 536	164	–	20 700	18 522	2 178	89.5%	2 733	2 733
Property payments	35 619	(3 585)	–	32 034	21 160	10 874	66.1%	1 390	1 390
Travel and subsistence	18 939	152	–	19 091	18 867	224	98.8%	20 856	20 856
Training and development	14 276	(4 665)	–	9 611	5 765	3 846	60.0%	4 610	4 610
Operating payments	2 630	558	–	3 188	2 875	313	90.2%	1 722	1 722
Venues and facilities	2 456	(72)	–	2 384	2 008	376	84.2%	1 049	1 049
Rental and hiring	512	(494)	–	18	18	–	100.0%	4	4
Interest and rent on land	–	–	–	–	–	–	–	1 238	1 238
Interest (including interest on unitary payments (PPP))	–	–	–	–	–	–	–	1 238	1 238
Transfers and subsidies	**7 650**	**457**	**–**	**8 107**	**8 105**	**2**	**100.0%**	**9 610**	**9 608**
Provinces and municipalities	6	–	–	6	4	2	66.7%	6	4
Municipalities	6	–	–	6	4	2	66.7%	6	4
Municipal bank accounts	6	–	–	6	4	2	66.7%	6	4

PROGRAMME 1: Administration

	2016/17							2015/16	
	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
Households	7 644	457	–	8 101	8 101	–	100.0%	9 604	9 604
Social benefits	2 644	(2,194)	–	450	450	–	100.0%	513	513
Other transfers to households	5 000	2 651	–	7 651	7 651	–	100.0%	9 091	9 091
Payments for capital assets	**22 327**	**–**	**–**	**22 327**	**15 514**	**6 813**	**69.5%**	**11 227**	**10 045**
Machinery and equipment	22 327	(6 057)	–	16 270	9 457	6 813	58.1%	10 870	9 688
Transport equipment	–	–	–	–	–	–	–	918	918
Other machinery and equipment	22 327	(6 057)	–	16 270	9 457	6 813	58.1%	9 952	8 770
Software and other intangible assets	–	6 057	–	6 057	6 057	–	100.0%	357	357
Payments for financial assets	**–**	**1 106**	**–**	**1 106**	**1 106**	**–**	**100.0%**	**32 080**	**32 080**
Total	**516 006**	**–**	**–**	**516 006**	**450 444**	**65 562**	**87.3%**	**480 334**	**479 150**

SUB-PROGRAMME 1.1: Ministry

	2016/17							2015/16	
	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
Economic classification									
Current payments	**30 849**	**–**	**–**	**30 849**	**25 047**	**5 802**	**81.2%**	**23 472**	**23 472**
Compensation of employees	17 104	–	–	17 104	16 221	883	94.8%	15 229	15 229
Goods and services	13 745	–	–	13 745	8 826	4 919	64.2%	8 243	8 243
Transfers and subsidies	**6**	**–**	**–**	**6**	**4**	**2**	**66.7%**	**4**	**4**
Payments for capital assets	**300**	**48**	**–**	**348**	**348**	**–**	**100.0%**	**1 789**	**1 789**
Payments for financial assets	**–**	**120**	**–**	**120**	**120**	**–**	**100.0%**	**–**	**–**
Total	**31 155**	**168**	**–**	**31 323**	**25 519**	**5 804**	**81.5%**	**25 265**	**25 265**

SUB-PROGRAMME 1.2: Management									
	2016/17							2015/16	
	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
Economic classification									
Current payments	**88 967**	**3 292**	–	**92 259**	**89 840**	**2 419**	**97.4%**	**113 272**	**113 272**
Compensation of employees	63 810	–	–	63 810	61 410	2 400	96.2%	79 548	79 548
Goods and services	25 157	3 292	–	28 449	28 430	19	99.9%	33 724	33 724
Transfers and subsidies	**500**	**(416)**	–	**84**	**84**	–	**100.0%**	**171**	**171**
Payments for capital assets	**1 005**	–	–	**1 005**	**693**	**312**	**69.0%**	**1 296**	**1 296**
Machinery and equipment	1 005	(29)	–	976	664	312	68.0%	1 296	1 296
Software and other intangible assets	–	29	–	29	29	–	100.0%	–	–
Payments for financial assets	–	**16**	–	**16**	**16**	–	**100.0%**	–	–
Total	**90 472**	**2 892**	–	**93 364**	**90 633**	**2 731**	**97.1%**	**114 739**	**114 739**

SUB-PROGRAMME 1.3: Corporate Services									
	2016/17							2015/16	
	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
Economic classification									
Current payments	**251 549**	**(457)**	–	**251 092**	**230 786**	**20 306**	**91.9%**	**224 262**	**224 262**
Compensation of employees	143 128	(457)	–	142 671	134 250	8 421	94.1%	119 946	119 946
Goods and services	108 421	–	–	108 421	96 536	11 885	89.0%	104 316	104 316
Transfers and subsidies	**6 144**	**1 799**	–	**7 943**	**7 943**	–	**100.0%**	**9 362**	**9 360**
Payments for capital assets	**18 022**	-	–	**18 022**	**13 077**	**4 945**	**72.6%**	**6 356**	**5 992**
Machinery and equipment	18 022	(6 028)	–	11 994	7 049	4 945	58.8%	5 999	5 635
Software and other intangible assets	–	6 028	–	6 028	6 028	–	100.0%	357	357
Payments for financial assets	–	**93**	–	**93**	**93**	–	**100.0%**	**32 080**	**32 080**
Total	**275 715**	**1 435**	–	**277 150**	**251 899**	**25 251**	**90.9%**	**272 060**	**271 694**

SUB-PROGRAMME 1.4: Finance and Supply Chain Management									
	2016/17							2015/16	
	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
Economic classification									
Current payments	**65 264**	**(4 398)**	**–**	**60 866**	**43 143**	**17 723**	**70.9%**	**66 411**	**66 411**
Compensation of employees	30 205	–	–	30 205	28 555	1 650	94.5%	37 008	37 008
Goods and services	35 059	(4 398)	–	30 661	14 588	16 073	47.6%	28 165	28 165
Transfers and subsidies	**1 000**	**(926)**	**–**	**74**	**74**	**–**	**100.0%**	**73**	**73**
Payments for capital assets	**3 000**	**(48)**	**–**	**2 952**	**1 396**	**1 556**	**47.3%**	**1 786**	**968**
Payments for financial assets	**–**	**877**	**–**	**877**	**877**	**–**	**100.0%**	**–**	**–**
Total	**69 264**	**(4 495)**	**–**	**64 769**	**45 490**	**19 279**	**70.2%**	**68 270**	**67 452**

SUB-PROGRAMME 1.5: Office Accommodation									
	2016/17							2015/16	
	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
Economic classification									
Current payments	**49 400**	**–**	**–**	**49 400**	**36 903**	**12 497**	**74.7%**	**–**	**–**
Goods and services	49 400	–	–	49 400	36 903	12 497	74.7%	–	–
Total	**49 400**	**–**	**–**	**49 400**	**36 903**	**12 497**	**74.7%**	**–**	**–**

PROGRAMME 2: Intergovernmental Coordination									
	2016/17							2015/16	
	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
Sub-programme									
Monitoring, Evaluation and Reporting	14 903	(2 963)	–	11 940	2 651	9 289	22.2%	34 481	34 186
Intergovernmental Relations and Coordination	13 736	2 963	–	16 699	13 826	2 873	82.8%	11 534	10 561
Total for sub-programmes	**28 639**	**–**	**–**	**28 639**	**16 477**	**12 162**	**57.5%**	**46 015**	**44 747**
Economic classification									
Current payments	**26 339**	**(1)**	**–**	**26 338**	**16 224**	**10 114**	**61.6%**	**31 892**	**31 892**
Compensation of employees	20 281	–	–	20 281	13 976	6 305	68.9%	25 897	25 897
Salaries and wages	17 190	245	–	17 435	12 660	4 775	72.6%	23 143	23 143
Social contributions	3 091	(245)	–	2 846	1 316	1 530	46.2%	2 754	2 754
Goods and services	6 058	(1)	–	6 057	2 248	3 809	37.1%	5 995	5 995
Advertising	295	28	–	323	323	–	100.0%	176	176
Minor assets	70	–	–	70	12	58	17.1%	48	48
Catering: Departmental activities	155	(16)	–	139	107	32	77.0%	139	139
Communication	500	–	–	500	51	449	10.2%	231	231
Computer services	350	–	–	350	–	350	–	49	49
Consultants: Business and advisory services	365	–	–	365	–	365	–	1 431	1 431
Agency and support/ outsourced services	1 050	–	–	1 050	–	1 050	–	–	–
Entertainment	60	–	–	60	4	56	6.7%	13	13
Fleet services (including government motor transport)	10	1	–	11	8	3	72.7%	18	18

PROGRAMME 2: Intergovernmental Coordination									
	2016/17							2015/16	
	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 supplies	125	–	–	125	1	124	0.8%	13	13
Consumable: Stationery, printing and office supplies	437	–	–	437	93	344	21.3%	491	491
Operating leases	200	–	–	200	4	196	2.0%	6	6
Travel and subsistence	1 202	319	–	1 521	1 286	235	84.5%	1 846	1 846
Training and development	20	–	–	20	-	20	–	400	400
Operating payments	750	(333)	–	417	59	358	14.1%	752	752
Venues and facilities	469	–	–	469	300	169	64.0%	382	382
Transfers and subsidies	**300**	**–**	**–**	**300**	**-**	**300**	**–**	**300**	**4**
Households	300	–	–	300	-	300	–	300	4
Social benefits	300	–	–	300	-	300	–	300	4
Payments for capital assets	**2 000**	**–**	**–**	**2 000**	**252**	**1 748**	**12.6%**	**1 500**	**528**
Machinery and equipment	2 000	–	–	2 000	252	1 748	12.6%	1 500	528
Other machinery and equipment	2 000	–	–	2 000	252	1,748	12.6%	1 500	528
Payments for financial assets	**–**	**1**	**–**	**1**	**1**	**–**	**100.0%**	**12 323**	**12 323**
Total	**28 639**	**–**	**–**	**28 639**	**16 477**	**12 162**	**57.5%**	**46 015**	**44 747**

SUB-PROGRAMME 2.1: Monitoring, Evaluation and Reporting									
	2016/17							2015/16	
	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
Economic classification									
Current payments	**13 753**	**(2 963)**	**–**	**10 790**	**2 520**	**8 270**	**23.4%**	**21 508**	**21 508**
Compensation of employees	11 072	(2 963)	–	8 109	1 804	6 305	22.2%	17 165	17 165
Goods and services	2 681	–	–	2 681	716	1 965	26.7%	4 343	4 343
Transfers and subsidies	150	–	–	150	–	150	–	150	4
Households	150	–	–	150	–	150	–	150	4
Payments for capital assets	**1 000**	**–**	**–**	**1 000**	**131**	**869**	**13.1%**	**500**	**351**
Machinery and equipment	1 000	–	–	1 000	131	869	13.1%	500	351
Payments for financial assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12 323**	**12 323**
Total	**14 903**	**(2 963)**	**–**	**11 940**	**2 651**	**9 289**	**22.2%**	**34 481**	**34 186**

SUB-PROGRAMME 2.2: Intergovernmental Relations and Coordination									
	2016/17							2015/16	
	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
Economic classification									
Current payments	**12 586**	**2 962**	**–**	**15 548**	**13 704**	**1 844**	**88.1%**	**10 384**	**10 384**
Compensation of employees	9 209	2 963	–	12 172	12 172	–	100.0%	8 732	8 732
Goods and services	3 377	(1)	–	3 376	1 532	1 844	45.4%	1 652	1 652
Transfers and subsidies	**150**	**–**	**–**	**150**	**–**	**150**	**–**	**150**	**–**
Households	150	–	–	150	–	150	–	150	–
Payments for capital assets	**1 000**	**–**	**–**	**1 000**	**121**	**879**	**12.1%**	**1 000**	**177**
Machinery and equipment	1 000	–	–	1 000	121	879	12.1%	1 000	177
Payments for financial assets	**–**	**1**	**–**	**1**	**1**	**–**	**100.0%**	**–**	**–**
Total	**13 736**	**2 963**	**–**	**16 699**	**13 826**	**2 873**	**82.8%**	**11 534**	**10 561**

PROGRAMME 3: Expanded Public Works Programme									
	2016/17							2015/16	
	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
Sub-programme									
Expanded Public Works Programme: Monitoring and Evaluation	81 085	(10 232)	–	70 853	68 367	2 486	96.5%	63 541	63 541
Expanded Public Works Programme: Infrastructure	1 166 222	10 908	–	1 177 130	1 177 085	45	100.0%	1 016 723	1 016 075
Expanded Public Works Programme: Operations	1 008 379	(534)	–	1 007 845	997 378	10 467	99.0%	799 244	799 213
Expanded Public Works Programme: Partnership Support	56 504	669	–	57 173	53 897	3 276	94.3%	66 816	57 273
Expanded Public Works Programme: Public Employment Coordinating Commission	7 310	(811)	–	6 499	4 719	1 780	72.6%	7 045	3 807
Total for sub-programmes	**2 319 500**	**–**	**–**	**2 319 500**	**2 301 446**	**18 054**	**99.2%**	**1 953 369**	**1 939 909**
Economic classification									
Current payments	**290 933**	**(1 376)**	**–**	**289 557**	**272 082**	**17 475**	**94.0%**	**275 985**	**263 309**
Compensation of employees	154 748	(1 107)	–	153 641	152 622	1 019	99.3%	144 016	133 953
Salaries and wages	137 726	266	–	137 992	137 132	860	99.4%	128 910	119 275
Social contributions	17 022	(1 373)	–	15 649	15 490	159	99.0%	15 106	14 678
Goods and services	136 185	(269)	–	135 916	119 460	16 456	87.9%	131 969	129 356
Administrative fees	–	1	–	1	1	–	100.0%	–	–
Advertising	4 803	(2 457)	–	2 346	2 182	164	93.0%	3 819	3 212
Minor assets	201	71	–	272	182	90	66.9%	326	326
Catering: Departmental activities	247	292	–	539	524	15	97.2%	737	731
Communication	1 415	(200)	–	1 215	1 035	180	85.2%	1 219	1 059

PROGRAMME 3: Expanded Public Works Programme									
	2016/17							2015/16	
	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
Computer services	154	–	–	154	–	154	–	291	291
Consultants: Business and advisory services	2 146	(1 437)	–	709	709	–	100.0%	794	794
Infrastructure and planning services	19 442	12 780	–	32 222	32 222	–	100.0%	25 340	25 340
Contractors	554	(314)	–	240	171	69	71.3%	246	246
Agency and support/ outsourced services	83 812	(14 063)	–	69 749	58 368	11 381	83.7%	73 967	73 967
Entertainment	75	3	–	78	42	36	53.8%	57	44
Fleet services	311	119	–	430	365	65	84.9%	230	230
Consumable supplies	677	(16)	–	661	130	531	19.7%	293	291
Consumable: Stationery, printing and office supplies	1 929	202	–	2 131	1 807	324	84.8%	1 969	1 665
Operating leases	221	509	–	730	710	20	97.3%	583	582
Travel and subsistence	16 992	1 895	–	18 887	16 362	2 525	86.6%	19 432	18 240
Training and development	181	222	–	403	403	–	100.0%	73	73
Operating payments	1 085	(41)	–	1 044	337	707	32.3%	783	455
Venues and facilities	1 519	1 485	–	3 004	2 809	195	93.5%	1 569	1 569
Rental and hiring	421	680	–	1 101	1 101	–	100.0%	241	241
Transfers and subsidies	**2 026 079**	**1 107**	–	**2 027 186**	**2 027 186**	–	**100.0%**	**1 675 024**	**1 674 424**
Provinces and municipalities	1 425 662	–	–	1 425 662	1 425 662	–	100.0%	1 139 995	1 139 395
Provinces	761 671	–	–	761 671	761 671	–	100.0%	552 310	551 710
Provincial Revenue Funds	761 671	–	–	761 671	761 671	–	100.0%	552 310	551 710
Municipalities	663 991	–	–	663 991	663 991	–	100.0%	587 685	587 685
Municipal bank accounts	663 991	–	–	663 991	663 991	–	100.0%	587 685	587 685

PROGRAMME 3: Expanded Public Works Programme									
	2016/17							2015/16	
	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
Non-profit institutions	600 257	–	–	600 257	600 257	–	100.0%	534 816	534 816
Households	160	1 107	–	1 267	1 267	–	100.0%	213	213
Social benefits	160	1 107	–	1 267	1 267	–	100.0%	213	213
Payments for capital assets	**2 488**	**–**	**–**	**2 488**	**1 909**	**579**	**76.7%**	**2 360**	**2 176**
Machinery and equipment	2 488	–	–	2 488	1 909	579	76.7%	2 360	2 176
Transport equipment	–	–	–	–	-	–	–	31	31
Other machinery and equipment	2 488	–	–	2 488	1 909	579	76.7%	2 329	2 145
Payments for financial assets	**–**	**269**	**–**	**269**	**269**	**–**	**100.0%**	**–**	**–**
Total	**2 319 500**	**–**	**–**	**2 319 500**	**2 301 446**	**18 054**	**99.2%**	**1 953 369**	**1 939 909**

SUB-PROGRAMME 3.1: Expanded Public Works Programme: Monitoring and Evaluation									
	2016/17							2015/16	
	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
Economic classification									
Current payments	**80 701**	**(11 830)**	**–**	**68 871**	**66 385**	**2 486**	**96.4%**	**62 784**	**62 784**
Compensation of employees	43 983	(9 631)	–	34 352	34 210	142	99.6%	23 910	23 910
Goods and services	36 718	(2 199)	–	34 519	32 175	2 344	93.2%	38 874	38 874
Transfers and subsidies	**–**	**1 174**	**–**	**1 174**	**1 174**	**–**	**100.0%**	**21**	**21**
Payments for capital assets	**384**	**166**	**–**	**550**	**550**	**–**	**100.0%**	**736**	**736**
Payments for financial assets	**–**	**258**	**–**	**258**	**258**	**–**	**100.0%**	**–**	**–**
Total	**81 085**	**(10 232)**	**–**	**70 853**	**68 367**	**2 486**	**96.5%**	**63 541**	**63 541**

SUB-PROGRAMME 3.2: Expanded Public Works Programme: Infrastructure

	2016/17							2015/16	
	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
Economic classification									
Current payments	**99 540**	**11 074**	**–**	**110 614**	**110 614**	**–**	**100.0%**	**102 262**	**102 262**
Compensation of employees	44 128	9 044	–	53 172	53 172	–	100.0%	43 038	43 038
Goods and services	55 412	2 030	–	57 442	57 442	–	100.0%	59 224	59 224
Transfers and subsidies	**1 066 000**	**–**	**–**	**1 066 000**	**1 066 000**	**–**	**100.0%**	**913 975**	**913 375**
Payments for capital assets	**682**	**(166)**	**–**	**516**	**471**	**45**	**91.3%**	**486**	**438**
Total	**1 166 222**	**10 908**	**–**	**1 177 130**	**1 177 085**	**45**	**100.0%**	**1 016 723**	**1 016 075**

SUB-PROGRAMME 3.3: Expanded Public Works Programme: Operations

	2016/17							2015/16	
	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
Economic classification									
Current payments	**48 044**	**(609)**	**–**	**47 435**	**37 161**	**10 274**	**78.3%**	**37 935**	**37 935**
Compensation of employees	22 438	(520)	–	21 918	21 507	411	98.1%	20 501	20 501
Goods and services	25 606	(89)	–	25 517	15 654	9 863	61.3%	17 434	17 434
Transfers and subsidies	**959 919**	**75**	**–**	**959 994**	**959 994**	**–**	**100.0%**	**760 919**	**760 919**
Households	–	75	–	75	75	–	100.0%	–	–
Payments for capital assets	**416**	**–**	**–**	**416**	**223**	**193**	**53.6%**	**390**	**359**
Total	**1 008 379**	**(534)**	**–**	**1 007 845**	**997 378**	**10 467**	**99.0%**	**799 244**	**799 213**

SUB-PROGRAMME 3.4: Expanded Public Works Programme: Partnership Support									
	2016/17							2015/16	
	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
Economic classification									
Current payments	**55 515**	**800**	–	**56 315**	**53 254**	**3 061**	**94.6%**	**66 125**	**56 582**
Compensation of employees	39 542	811	–	40 353	40 353	–	100.0%	52 088	43 152
Goods and services	15 973	(11)	–	15 962	12 901	3 061	80.8%	14 037	13 430
Transfers and subsidies	**160**	**(142)**	–	**18**	**18**	**-**	**100.0%**	**109**	**109**
Payments for capital assets	**829**	**-**	–	**829**	**614**	**215**	**74.1%**	**582**	**582**
Payments for financial assets	–	**11**	–	**11**	**11**	–	**100.0%**	–	–
Total	**56 504**	**669**	–	**57 173**	**53 897**	**3 276**	**94.3%**	**66 816**	**57 273**

SUB-PROGRAMME 3.5: Expanded Public Works Programme: Public Employment Coordinating Commission									
	2016/17							2015/16	
	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
Economic classification									
Current payments	**7 133**	**(811)**	–	**6 322**	**4 668**	**1 654**	**73.8%**	**6 879**	**3 746**
Compensation of employees	4 657	(811)	–	3 846	3 380	466	87.9%	4 479	3 352
Goods and services	2 476	–	–	2 476	1 288	1 188	52.0%	2 400	394
Payments for capital assets	**177**	–	–	**177**	**51**	**126**	**28.8%**	**166**	**61**
Total	**7 310**	**(811)**	–	**6 499**	**4 719**	**1 780**	**72.6%**	**7 045**	**3 807**

PROGRAMME 4: Property and Construction Industry Policy and Research									
	2016/17							2015/16	
	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
Sub-programme									
Construction Policy Development Programme	26 243	(157)	23	26 109	21 699	4 410	83.1%	25 804	20 861
Property Policy Development Programme	12 665	157	504	13 326	11 726	1 600	88.0%	11 161	8 416
Construction Industry Development Board	52 059	–	–	52 059	52 059	–	100.0%	65 626	65 626
Council for the Built Development	43 413	–	–	43 413	43 413	–	100.0%	41 994	41 994
Construction Education and Training Authority	500	–	–	500	469	31	93.8%	475	475
Property Management Trading Entity	3 389,448	–	–	3 389 448	3 389 448	–	100.0%	3 524 652	3 524 652
Assistance to Organisations for the Preservation of National Memorials	28 234	–	–	28 234	28 234	–	100.0%	23 273	23 363
Independent Development Trust	–	–	–	–	–	–	–	50 000	50 000
Total for sub-programmes	**3 552 562**	**–**	**527**	**3 553 089**	**3 547 048**	**6 041**	**99.8%**	**3 742 985**	**3 735 387**
Economic classification									
Current payments	**26 036**	**–**	**459**	**26 495**	**20 667**	**5,828**	**78.0%**	**24 617**	**17 086**
Compensation of employees	16 284	–	–	16 284	10 456	5,828	64.2%	14 248	8 726
Salaries and wages	14 460	–	–	14 460	9 452	5,008	65.4%	12 204	7 984
Social contributions	1 824	–	–	1 824	1 004	820	55.0%	2 044	742
Goods and services	9 752	–	459	10 211	10 211	–	100.0%	10 369	8 360
Advertising	363	(69)	–	294	294	–	100.0%	172	43
Minor assets	–	9	–	9	9	–	100.0%	24	–
Catering: Departmental activities	4	12	–	16	16	–	100.0%	25	4

PROGRAMME 4: Property and Construction Industry Policy and Research									
	2016/17							2015/16	
	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
Communication	180	(96)	–	84	84	–	100.0%	118	106
Computer services	–	–	–	–	–	–	–	7	–
Consultants: Business and advisory services	4 590	2 357	459	7 406	7 406	–	100.0%	5 119	4 825
Infrastructure and planning services	–	–	–	–	–	–	–	170	–
Contractors	3 602	(3 602)	–	–	–	–	–	115	21
Agency and support / outsourced services	–	–	–	–	–	–	–	1 537	650
Entertainment	5	(1)	–	4	4	–	100.0%	12	6
Fleet services	4	(4)	–	-	–	–	–	1	1
Consumable supplies	–	2	–	2	2	–	100.0%	1	1
Consumable: Stationery, printing and office supplies	61	(29)	–	32	32	–	100.0%	436	97
Operating leases	20	(20)	–	–	–	–	–	36	10
Travel and subsistence	432	297	–	729	729	–	100.0%	940	940
Operating payments	40	1 595	–	1 635	1 635	–	100.0%	1 621	1 621
Venues and facilities	451	(451)	–	–	–	–	–	35	35
Transfers and subsidies	**3 526 407**	**–**	**–**	**3 526 407**	**3 526 194**	**213**	**100.0%**	**3 718 233**	**3 718 166**
Departmental agencies and accounts	3 497 803	–	–	3 497 803	3 497 771	32	100.0%	3 644 429	3 644 429
Foreign governments and international organisations	28 234	–	–	28 234	28 234	–	100.0%	23 273	23 363
Public corporations and private enterprises	–	–	–	–	–	–	–	50 000	50 000
Public enterprises	–	–	–	–	–	–	–	50 000	50 000
Other transfers to private enterprises	–	–	–	–	–	–	–	50 000	50 000

PROGRAMME 4: Property and Construction Industry Policy and Research

	2016/17							2015/16	
	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
Non-profit institutions	170	–	–	170	170	–	100.0%	331	331
Households	200	–	–	200	19	181	9.5%	200	43
Social benefits	200	–	–	200	19	181	9.5%	200	43
Payments for capital assets	**119**	**–**	**45**	**164**	**164**	**–**	**100.0%**	**135**	**135**
Machinery and equipment	119	–	45	164	164	–	100.0%	135	135
Other machinery and equipment	119	–	45	164	164	–	100.0%	135	135
Payments for financial assets	**–**	**–**	**23**	**23**	**23**	**–**	**100.0%**	**–**	**–**
Total	**3 552 562**	**–**	**527**	**3 553 089**	**3 547 048**	**6 041**	**99.8%**	**3 742 985**	**3 735 387**

SUB-PROGRAMME 4.1: Construction Policy Development Programme

	2016/17							2015/16	
	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
Economic classification									
Current payments	**13 475**	**(120)**	**–**	**13 355**	**9 027**	**4 328**	**67.6%**	**13 601**	**8 715**
Compensation of employees	9 268	–	–	9 268	4 940	4 328	53.3%	8 032	3 146
Goods and services	4 207	(120)	–	4 087	4 087	–	100.0%	5 569	5 569
Transfers and subsidies	**12 653**	**–**	**–**	**12 653**	**12 571**	**82**	**99.4%**	**12 113**	**12 056**
Payments for capital assets	115	(37)	–	78	78	–	100.0%	90	90
Payments for financial assets	**–**	**–**	**23**	**23**	**23**	**–**	**100.0%**	**–**	**–**
Total	**26 243**	**(157)**	**23**	**26 109**	**21 699**	**4 410**	**83.1%**	**25 804**	**20 861**

SUB-PROGRAMME 4.2: Property Policy Development Programme

	2016/17							2015/16	
	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
Economic classification									
Current payments	**12 561**	**120**	**459**	**13 140**	**11 640**	**1 500**	**88.6%**	**11 016**	**8 371**
Compensation of employees	7 016	–	–	7 016	5 516	1 500	78.6%	6 216	5 580
Goods and services	5 545	120	459	6 124	6 124	–	100.0%	4 800	2 791
Transfers and subsidies	**100**	**–**	**–**	**100**	**–**	**100**	**–**	**100**	**–**
Payments for capital assets	**4**	**37**	**45**	**86**	**86**	**–**	**100.0%**	**45**	**45**
Total	**12 665**	**157**	**504**	**13 326**	**11 726**	**1 600**	**88.0%**	**11 161**	**8 416**

SUB-PROGRAMME 4.3: Construction Industry Development Board

	2016/17							2015/16	
	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
Economic classification									
Transfers and subsidies	**52 059**	**–**	**–**	**52 059**	**52 059**	**–**	**100.0%**	**65 626**	**65 626**
Total	**52 059**	**–**	**–**	**52 059**	**52 059**	**–**	**100.0%**	**65 626**	**65 626**

SUB-PROGRAMME 4.4: Council for the Built Environment

	2016/17							2015/16	
	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
Economic classification									
Transfers and subsidies	**43 413**	**–**	**–**	**43 413**	**43 413**	**–**	**100.0%**	**41 994**	**41 994**
Total	**43 413**	**–**	**–**	**43 413**	**43 413**	**–**	**100.0%**	**41 994**	**41 994**

SUB-PROGRAMME 4.5: Construction Education and Training Authority									
	2016/17							2015/16	
	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
Economic classification									
Transfers and subsidies	500	–	–	500	469	31	93.8%	475	475
Total	500	–	–	500	469	31	93.8%	475	475

SUB-PROGRAMME 4.6: Property Management Trading Entity									
	2016/17							2015/16	
	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
Economic classification									
Transfers and subsidies	3 389 448	–	–	3 389 448	3 389 448	–	100.0%	3 524 652	3 524 652
Total	3 389 448	–	–	3 389 448	3 389 448	–	100.0%	3 524 652	3 524 652

SUB-PROGRAMME 4.7: Assistance to Organisations for the Preservation of National Memorials									
	2016/17							2015/16	
	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
Economic classification									
Transfers and subsidies	28 234	–	–	28 234	28 234	–	100.0%	23 273	23 363
Total	28 234	–	–	28 234	28 234	–	100.0%	23 273	23 363

SUB-PROGRAMME 4.8: Independent Development Trust									
	2016/17							2015/16	
	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
Economic classification									
Transfers and subsidies	–	–	–	–	–	–	–	50 000	50 000
Total	–	–	–	–	–	–	–	50 000	50 000

PROGRAMME 5: Prestige Policy

	2016/17							2015/16	
	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
Sub-programme									
1. Prestige Accommodation and State Functions	86 520	–	(527)	85 993	78 359	7 634	91.1%	80 429	72 864
2. Parliamentary Villages Management Board	9 572	–	–	9 572	9 572	–	100.0%	9 090	9 090
Total for sub-programmes	**96 092**	**–**	**(527)**	**95 565**	**87 931**	**7 634**	**92.0%**	**89 519**	**81 954**
Economic classification									
Current payments	**75 746**	**–**	**(482)**	**75 264**	**70 227**	**5 037**	**93.3%**	**67 441**	**62 189**
Compensation of employees	26 265	–	–	26 265	21 337	4 928	81.2%	19 067	15 551
Salaries and wages	23 376	–	–	23 376	18 843	4 533	80.6%	15 598	13 677
Social contributions	2 889	–	–	2 889	2 494	395	86.3%	3 469	1 874
Goods and services	49 481	–	(482)	48 999	48 890	109	99.8%	48 039	46 303
Administrative fees	–	–	–	–	–	–	–	5	–
Advertising	43	235	–	278	278	–	100.0%	54	54
Minor assets	6 320	(3 685)	–	2 635	2 584	51	98.1%	2 476	2 476
Catering: Departmental activities	12	–	–	12	1	11	8.3%	12	12
Communication	212	(20)	–	192	183	9	95.3%	255	255
Consultants: Business and advisory services	–	–	–	–	–	–	–	379	379
Contractors	30 500	(10 931)	–	19 569	19 569	–	100.0%	38 562	38 562
Agency and support/ outsourced services	571	13 696	–	14 267	14 267	–	100.0%	772	772
Entertainment	100	(75)	–	25	3	22	12.0%	24	7
Fleet services (including government motor transport)	100	458	–	558	558	–	100.0%	240	240

PROGRAMME 5: Prestige Policy									
	2016/17							2015/16	
	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 supplies	5 517	(4 386)	–	1 131	1 131	–	100.0%	466	466
Consumable: Stationery, printing and office supplies	400	(55)	(143)	202	186	16	92.1%	794	85
Operating leases	530	754	–	1 284	1 284	–	100.0%	589	589
Property payments	355	5 970	–	6 325	6 325	–	100.0%	–	–
Travel and subsistence	3 186	(1 621)	–	1 565	1 565	–	100.0%	2 566	1 661
Training and development	–	–	–	–	–	–	–	–	–
Operating payments	700	236	–	936	936	–	100.0%	745	745
Venues and facilities	576	(576)	–	–	–	–	–	100	–
Rental and hiring	359	–	(339)	20	20	–	100.0%	–	–
Interest and rent on land	–	–	–	–	–	–	–	335	335
Interest (including interest on unitary payments (PPP))	–	–	–	–	–	–	–	335	335
Transfers and subsidies	**9 772**	**–**	**–**	**9 772**	**9 764**	**8**	**99.9%**	**9 240**	**9 112**
Departmental agencies and accounts	9 572	–	–	9 572	9 572	–	100.0%	9 090	9 090
Departmental agencies (non-business entities)	9 572	–	–	9 572	9 572	–	100.0%	9 090	9 090
Households	200	–	–	200	192	8	96.0%	150	22
Social benefits	200	–	–	200	192	8	96.0%	150	22
Payments for capital assets	**10 574**	**–**	**(45)**	**10 529**	**7 940**	**2 589**	**75.4%**	**12 838**	**10 653**
Machinery and equipment	10 574	–	(45)	10 529	7 940	2 589	75.4%	12 838	10 653
Other machinery and equipment	10 574	–	(45)	10 529	7 940	2 589	75.4%	12 838	10 653
Total	**96 092**	**–**	**(527)**	**95 565**	**87 931**	**7 634**	**92.0%**	**89 519**	**81 954**

SUB-PROGRAMME 5.1: Prestige Accommodation and State Functions									
	2016/17							2015/16	
	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
Economic classification									
Current payments	**75 746**	**–**	**(482)**	**75 264**	**70 227**	**5 037**	**93.3%**	**67 441**	**62 189**
Compensation of employees	26 265	–	–	26 265	21 337	4 928	81.2%	19 067	15 551
Goods and services	49 481	–	(482)	48 999	48 890	109	99.8%	48 039	46 303
Interest and rent on land	–	–	–	–	–	–	–	335	335
Transfers and subsidies	**200**	**–**	**–**	**200**	**192**	**8**	**96.0%**	**150**	**22**
Payments for capital assets	**10 574**	**–**	**(45)**	**10 529**	**7 940**	**2 589**	**75.4%**	**12 838**	**10 653**
Total	**86 520**	**–**	**(527)**	**85 993**	**78 359**	**7 634**	**91,1%**	**80 429**	**72 864**

SUB-PROGRAMME 5.2: Parliamentary Villages Management Board									
	2016/17							2015/16	
	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
Economic classification									
Transfers and subsidies	**9 572**	**–**	**–**	**9 572**	**9 572**	**–**	**100.0%**	**9 090**	**9 090**
Total	**9 572**	**–**	**–**	**9 572**	**9 572**	**–**	**100.0%**	**9 090**	**9 090**

NOTES TO THE APPROPRIATION STATEMENT

1. Detail of transfers and subsidies as per the 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 % of final appropriation**
	R'000	**R'000**	**R'000**	**%**
Administration	516 006	450 444	65 562	13%
Intergovernmental Coordination	28 639	16 477	12 162	42%
Expanded Public Works Programme	2 319 500	2 301 446	18 054	1%
Property and Construction Industry Policy and Research	3 553 089	3 547 048	6 041	0%
Prestige Policy	95 565	87 931	7 634	8%

Per programme	**Final appropriation**	**Actual expenditure**	**Variance**	**Variance as % of final appropriation**
	R'000	**R'000**	**R'000**	**%**
Administration	516 006	450 444	65 562	13%

Expenditure variance of 13% in Programme 1 is due to underspending on compensation of employees (R13.3 million), goods and services (R45 million) and payments for capital assets (R6.8 million). Compensation of employees underspending of R13.3 million is mainly due to a delay in finalising the implementation of the new approved organistional structure and positions that became vacant during the financial year. Goods and services underspending of R45 million relate to the energy and water efficiency project implemented in properties occupied by the Department, as well as cost-containment measures. Payments for capital assets underspending of R6.8 million is due to a delay in planned acquisition of assets.

NOTES TO THE APPROPRIATION STATEMENT

Per programme	Final appropriation	Actual expenditure	Variance	Variance as % of final appropriation
	R'000	R'000	R'000	%
Intergovernmental Coordination	28 639	16 477	12 162	42%

Expenditure variance of 42% in Programme 2 is due to underspending on compensation of employees (R6.3 million), goods and services (R3.8 million) and payments for capital assets (R1.7 million). Compensation of employees underspending of R6.3 million is mainly due to the delay in capacitating the newly established Professional Services and Intergovernmental Coordination branches in line with the revised approved organisational structure. Goods and services underspending of R3.8 million is due to low spending on planned activities for the newly established branches resulting from a delay in filling vacant positions. Payments for capital assets underspending of R1.7 million is due to a delay in planned acquisition of assets resulting from unfilled vacant positions for the newly established branches.

Per programme	Final appropriation	Actual expenditure	Variance	Variance as % of final appropriation
	R'000	R'000	R'000	%
Expanded Public Works Programme	2 319 500	2 301 446	18 054	1%

Expenditure variance of 0.8% mainly relates to goods and services (R17 million), and the balance of R579 000 for machinery and equipment (payments for capital assets). The underspending on goods and services was due to a delay in the implementation of the social, environment and culture projects.

Per programme	Final appropriation	Actual expenditure	Variance	Variance as % of final appropriation
	R'000	R'000	R'000	%
Property and Construction Industry Policy and Research	3 553 089	3 547 048	6 041	0%

Expenditure variance of 0.2% relates to compensation of employees of R5.8 million underspent due to vacant positions that were not filled during the financial year.The balance of R200 000 underspent relate to Households for leave gratuities.

Per programme	Final appropriation	Actual expenditure	Variance	Variance as % of final appropriation
	R'000	R'000	R'000	%
Prestige Policy	95 565	87 931	7 634	8%

Expenditure variance of 8% in Programme 5 is due to underspending on compensation of employees (R4.9 million) and payments for capital assets (R2.5 million). Compensation of employees underspending of R4.9 million is mainly due to positions that became vacant during the financial year. Payments for capital assets underspending of R2.5 million is due to a delay in planned acquisition of assets.

4.2 Per economic classification	Final appropriation	Actual expenditure	Variance	Variance as % of final appropriation
	R'000	R'000	R'000	%
Current payments				
Compensation of employees	470 261	438 827	31 434	7%
Goods and services	431 859	366 092	65 767	15%
Interest and rent on land	–	–	–	–
Transfers and subsidies				
Provinces and municipalities	1 425 668	1 425 666	2	0%
Departmental agencies and accounts	3 507 375	3 507 343	32	0%
Public corporations and private enterprises				
Foreign governments and international organisations	28 234	28 234	–	0%
Non-profit institutions	600 427	600 427	–	0%
Households	10 068	9 579	489	5%
Payments for capital assets				
Machinery and equipment	31 451	19 722	11,729	37%
Software and other intangible assets	6 057	6 057	–	0%
Payments for financial assets	1 399	1 399	–	0%

Expenditure variance is mainly due to:

Compensation of employees underspending of R31 million is mainly due to a delay in finalising the implementation of the new approved organistional structure, a delay in filling vacant positions for the newly established branches for Professional Services and Intergovernmental Coordination, as well as the filling of positions that became vacant during the financial year.

Goods and services underspending of R66 million is due to the following:

- Implementation of the energy and water efficiency projects resulting in a saving in property payments-related expenditure under Office Accommodation.
- A delay in finalising the implementation of the social, environment and culture project for the Expanded Public Works Programme.
- Delayed spending on operational expenditure resulting from unfilled vacant positions for the newly established branches for Professional Services and Intergovernmental Coordination.
- Implementation of cost-containment measures on expenditure relating to communication, travel and subsistence, and consumable supplies.

Payments for capital assets underspending of R11.7 million is due to a delay in the planned acquisition of assets.

4.3 Per conditional grant	Final appropriation	Actual expenditure	Variance	Variance as % of final appropriation
	R'000	R'000	R'000	%
EPWP Integrated Grant for Municipalities	663 991	663 991	–	0.0%
EPWP Integrated Grant for Provinces	402 009	402 009	–	0.0%
Social Sector EPWP Incentive Grant for Provinces	359 662	359 662	–	0.0%

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2016/17 R'000	2015/16 R'000
REVENUE			
Annual appropriation	1	6 512 799	6 312 222
Departmental revenue	2	14 608	7 106
TOTAL REVENUE		**6 527 407**	**6 319 328**
EXPENDITURE			
Current expenditure			
Compensation of employees	3	438 827	435 858
Goods and services	4	366 092	364 462
Interest	5	–	1 573
Total current expenditure		**804 919**	**801 893**
Transfers and subsidies			
Transfers and subsidies	7	5 571 249	5 411 314
Total transfers and subsidies		**5 571 249**	**5 411 314**
Expenditure for capital assets			
Tangible assets	8	19 722	23 180
Intangible assets	8	6 057	357
Total expenditure for capital assets		**25 779**	**23 537**
Payments for financial assets	6	1 399	44 403
TOTAL EXPENDITURE		**6 403 346**	**6 281 147**
SURPLUS/(DEFICIT) FOR THE YEAR		**124 061**	**38 181**

Reconciliation of Net Surplus/(Deficit) for the year

	Note	2016/17 R'000	2015/16 R'000
Voted funds		109 453	31 075
Annual appropriation		109 453	31 075
Departmental revenue and NRF Receipts	14	14 608	7 106
SURPLUS/(DEFICIT) FOR THE YEAR		**124 061**	**38 181**

STATEMENT OF FINANCIAL POSITION

	Note	2016/17 R'000	2015/16 R'000
ASSETS			
Current assets		**847 794**	**730 770**
Unauthorised expenditure	9	261 169	261 169
Cash and cash equivalents	10	126	167
Prepayments and advances	11	11 618	11 417
Receivables	12	574 881	458 017
Non-current assets		**58 117**	**42 937**
Receivables	12	58 117	42 937
TOTAL ASSETS		**905 911**	**773 707**
LIABILITIES			
Current liabilities		**900 743**	**768 709**
Voted funds to be surrendered to the Revenue Fund	13	109 455	31 078
Departmental revenue and NRF receipts to be surrendered to the Revenue Fund	14	10 882	5,338
Bank overdraft	15	753 659	648 528
Payables	16	26 747	83 765
TOTAL LIABILITIES		**900 743**	**768 709**
NET ASSETS		**5 168**	**4 998**
Represented by:			
Recoverable revenue		5 168	4 998
TOTAL		**5 168**	**4 998**

STATEMENT OF CHANGES IN NET ASSETS

	Note	2016/17 R'000	2015/16 R'000
Recoverable revenue			
Opening balance		**4 998**	**10 643**
Transfers:		170	(5 645)
Debts recovered (included in departmental receipts)		–	(5 645)
Debts raised		170	–
Closing balance		**5 168**	**4 998**
TOTAL		**5 168**	**4 998**

CASH FLOW STATEMENT

	Note	2016/17 R'000	2015/16 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		**6 527 337**	**6 319 319**
Annual appropriated funds received	1.1	6 512 799	6 312 222
Departmental revenue received	2	2 177	4 797
Interest received	2.3	12 361	2 300
Net (increase)/decrease in working capital		(189 263)	(409,768)
Surrendered to Revenue Fund	13 & 14	(40 140)	(111 938)
Current payments	3 & 4	(804 919)	(800 320)
Interest paid	5	–	(1 573)
Payments for financial assets	6	(1 399)	(44 403)
Transfers and subsidies paid	7	(5 571 249)	(5 411 314)
Net cash flow available from operating activities	17	**(79 633)**	**(459 997)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets	8	(25 779)	(23 537)
Proceeds from sale of capital assets		70	9
Net cash flows from investing activities		**(25 709)**	**(23 528)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in net assets		170	(5 645)
Net cash flows from financing activities		**170**	**(5 645)**
Net increase/(decrease) in cash and cash equivalents		(105 172)	(489 170)
Cash and cash equivalents at beginning of period		(648 361)	(159 191)
Cash and cash equivalents at end of period	**18**	**(753 533)**	**(648 361)**

ACCOUNTING POLICIES

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), 1999, (Act No. 1 of 1999) (as amended by Act No. 29 of 1999), and the Treasury Regulations issued in terms of the PFMA and the annual Division of Revenue Act.

1. Basis of preparation

The financial statements have been prepared in accordance with the Modified Cash Standard.

2. Going concern

The financial statements have been prepared on a going concern basis.

3. Presentation currency

Amounts have been presented in the currency of the South African rand (R), which is also the functional currency of the Department.

4. Rounding

Unless otherwise stated, financial figures have been rounded to the nearest one thousand rand (R'000).

5. Foreign currency translation

Cash flows arising from foreign currency transactions are translated into South African rand using the spot exchange rates prevailing at the date of payment or receipt.

6. Comparative information

6.1 Prior-period comparative information

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.

6.2 Current year comparison with budget

A comparison between the approved, final budget and actual amounts for each programme and economic classification is included in the Appropriation Statement.

7. Revenue

7.1 Appropriated funds

Appropriated funds comprise 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 or from the relevant Revenue Fund at the reporting date is recognised as a payable or receivable in the Statement of Financial Position.

7.2 Departmental revenue

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.

7.3 Accrued departmental revenue

Accruals in respect of departmental revenue (excluding tax revenue) are recorded in the Notes to the Financial Statements when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Department; and
- the amount of revenue can be measured reliably.

The accrued revenue is measured at the fair value of the consideration receivable.

Accrued tax revenue (and related interest and/penalties) is measured at amounts receivable from collecting agents.

8. Expenditure

8.1 Compensation of employees

8.1.1 Salaries and wages

Salaries and wages are recognised in the Statement of Financial Performance on the date of payment.

8.1.2 Social contributions

Social contributions made by the Department in respect of current employees are recognised in the Statement of Financial Performance on the date of payment.

Social contributions made by the Department in respect of former employees are classified as transfers to households in the Statement of Financial Performance on the date of payment.

8.2 Other expenditure

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.

8.3 Accrued expenditure payable

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.

Accrued expenditure payable is measured at cost.

8.4 Leases

8.4.1 Operating leases

Operating lease payments made during the reporting period are recognised as current expenditure in the statement of financial performance on the date of payment.

The operating lease commitments are recorded in the notes to the financial statements.

8.4.2 Finance leases

Finance lease payments made during the reporting period are recognised as capital expenditure in the Statement of Financial Performance on the date of payment.

The finance lease commitments are recorded in the Notes to the Financial Statements and are not apportioned between the capital and interest portions.

Finance lease assets acquired at the end of the lease term are recorded and measured at the lower of:

- cost, being the fair value of the asset; or
- the sum of the minimum lease payments made, including any payments made to acquire ownership at the end of the lease term, excluding interest.

9. Aid assistance

9.1 Aid assistance received

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.

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.

9.2 Aid assistance paid

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.

10. Cash and cash equivalents

Cash and cash equivalents are stated at cost in the Statement of Financial Position.

Bank overdrafts are shown separately on the face of the Statement of Financial Position as a current liability.

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.

11. Pre-payments and advances

Pre-payments and advances are recognised in the Statement of Financial Position when the Department receives or disburses the cash.

Pre-payments and advances are initially and subsequently measured at cost.

12. Loans and receivables

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.

13. Investments

Investments are recognised in the Statement of Financial Position at cost.

14. Financial assets

14.1 Impairment of financial assets

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.

15. Payables

Loans and payables are recognised in the Statement of Financial Position at cost.

16. Capital assets

16.1 Movable capital assets

Movable capital assets are initially recorded in the Notes to the Financial Statements at cost. Movable capital assets acquired through a non-exchange transaction are measured at fair value as at the date of acquisition.

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.

All assets acquired prior to 1 April 2002 (or a later date as approved by the Office of the Auditor-General) may be recorded at R1.

Movable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.

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 or entity, in which case the completed project costs are transferred to that department.

16.2 **Intangible assets**

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.

Internally generated intangible assets are recorded in the Notes to the Financial Statements when the Department commences with the development phase of the project.

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.

All assets acquired prior to 1 April 2002 (or a later date as approved by the Office of the Auditor-General) may be recorded at R1.

Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment.

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 or entity, in which case the completed project costs are transferred to that department.

17. Provisions and contingents

17.1 **Provisions**

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.

17.2 **Contingent liabilities**

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.

17.3 **Contingent assets**

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.

17.4 **Commitments**

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.

18. Unauthorised expenditure

Unauthorised expenditure is recognised in the Statement of Financial Position until such time as the expenditure is either:

- approved by Parliament with funding and the related funds are received;
- approved by Parliament without funding and written off against the appropriation in the Statement of Financial Performance; or
- transferred to receivables for recovery.

Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure.

19. Fruitless and wasteful expenditure

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.

Fruitless and wasteful expenditure is removed from the Notes to the Financial Statements when it is resolved or transferred to receivables for recovery.

Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are derecognised when settled or subsequently written off as irrecoverable.

20. **Irregular expenditure**

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 for the irregular expenditure are provided in the note.

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.

Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are derecognised when settled or subsequently written off as irrecoverable.

21. **Changes in accounting policies, accounting estimates and errors**

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.

Changes in accounting estimates are applied prospectively in accordance with Modified Cash Standard requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with the Modified Cash Standard 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.

22. **Events after the reporting date**

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.

23. **Principal-agent arrangements**

The Department is party to a principal-agent arrangement. In terms of the arrangement, the Department is the principal or 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.

24. **Recoverable revenue**

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 or Provincial Revenue Fund when recovered or are transferred to the Statement of Financial Performance when written off.

25. **Related party transactions**

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.

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 are recorded in the Notes to the Financial Statements.

26. **Public-private partnerships**

Public-private partnerships (PPP) 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.

A summary of the significant terms of the PPP agreement, the parties to the agreement, and the date of the commencement thereof, together with the description and nature of the concession fees received, the unitary fees paid, and the rights and obligations of the Department, are recorded in the Notes to the Financial Statements.

1. Annual appropriation

1.1 Annual appropriation

	2016/17		2015/16	
	Final appropriation	Actual funds received	Final appropriation	Actual funds received
	R'000	R'000	R'000	R'000
Administration	516 006	516 006	480 334	480 334
Intergovernmental Coordination	28 639	28 639	46 015	46 015
Expanded Public Works Programme	2 319 500	2 319 500	1 953 369	1 953 369
Property and Construction Industry Policy and Research	3 553 089	3 553 089	3 742 985	3 742 985
Prestige Policy	95 565	95 565	89 519	89 519
Total	**6 512 799**	**6 512 799**	**6 312 222**	**6 312 222**

2. Departmental revenue

	Note	2016/17 R'000	2015/16 R'000
Sales of goods and services other than capital assets	2.1	1 261	985
Interest, dividends and rent on land	2.2	12 361	2 300
Sales of capital assets	2.3	70	9
Transactions in financial assets and liabilities	2.4	916	3 812
Departmental revenue collected		**14 608**	**7 106**

2.1 Sales of goods and services other than capital assets

Sales of goods and services produced by the Department	2	**1 222**	**977**
Other sales		1 222	977
Sales of scrap, waste and other used current goods		39	8
Total		**1 261**	**985**

2.2 Interest, dividends and rent on land

Interest	12 361	2 300
Total	**12 361**	**2 300**

2.3 Sales of capital assets

	Note	2016/17 R'000	2015/16 R'000
Tangible assets			
Interest	2	70	9
Total		**70**	**9**

2.4 Transactions in financial assets and liabilities

	Note	2016/17 R'000	2015/16 R'000
Receivables	2	799	3 344
Other receipts, including recoverable revenue		117	468
Total		**916**	**3 812**

3. Compensation of employees

3.1 Salaries and wages

	Note	2016/17 R'000	2015/16 R'000
Salaries and wages	3		
Basic salary		294 147	294 608
Performance award		4 662	4 204
Service-based		158	358
Compensative/circumstantial		17 675	13 448
Periodic payments		912	646
Other non-pensionable allowances		76 343	79 848
Total		**393 897**	**393 112**

3.2 Social contributions

	Note	2016/17 R'000	2015/16 R'000
Social contributions	3		
Pension		33 711	32 170
Medical		11 158	10 519
Bargaining council		61	57
Total		**44 930**	**42 746**
Total compensation of employees		**438 827**	**435 858**
Average number of employees		**1 270**	**1 540**

4. Goods and services

	Note	2016/17 R'000	2015/16 R'000
Administrative fees		1 429	1 162
Advertising		4 277	7 389
Minor assets	4.1	3 399	3 447
Bursaries (employees)		48	147
Catering		1 724	1 866
Communication		5 912	12 644
Computer services	4.2	31 585	40 200
Consultants: Business and advisory services		25 700	26 214
Infrastructure and planning services		32 222	25 340
Legal services		17 402	14 987
Contractors		22 766	43 599
Agency and support or outsourced services		90 920	98 892
Entertainment		160	177
Audit cost – external	4.3	9 605	16 420
Fleet services		2 134	1 914
Consumables	4.4	11 729	7 553
Operating leases		20 520	3 920
Property payments	4.5	27 485	1 390
Rental and hiring		1 139	245
Travel and subsistence	4.6	38 809	43 543
Venues and facilities		5 117	3 035
Training and development		6 168	5 083
Other operating expenditure	4.7	5 842	5 295
Total		**366 092**	**364 462**

4.1 Minor assets

Tangible assets	4	3 399	3 447
Total		**3 399**	**3 447**

4.2 Computer services

SITA computer services	4	10 492	28 188
External computer service providers		21 093	12 012
Total		**31 585**	**40 200**

4.3 Audit cost – external

	Note	2016/17 R'000	2015/16 R'000
Regularity audits		9 605	16 420
Total		**9 605**	**16 420**

4.4 Consumables

	Note	2016/17 R'000	2015/16 R'000
Consumable supplies	4	**5 651**	**2 071**
Uniform and clothing		1 020	925
Household supplies		1 002	216
Building material and supplies		1 340	170
Communication accessories		8	1
IT consumables		2 242	211
Other consumables		39	548
Stationery, printing and office supplies		6 078	5 482
Total		**11 729**	**7 553**

4.5 Property payments

	Note	2016/17 R'000	2015/16 R'000
	4		
Municipal services		19 085	–
Property management fees		954	–
Property maintenance and repairs		7 446	–
Other		–	1 390
Total		**27 485**	**1 390**

4.6 Travel and subsistence

	Note	2016/17 R'000	2015/16 R'000
	4		
Local		37 674	41 542
Foreign		1 135	2 001
Total		**38 809**	**43 543**

4.7 Other operating expenditure

	Note	2016/17 R'000	2015/16 R'000
	4		
Professional bodies, membership and subscription fees		2 621	1 634
Resettlement costs		136	397
Other		3 085	3 264
Total		**5 842**	**5 295**

5. Interest

	Note	2016/17 R'000	2015/16 R'000
Interest paid		–	1 573
Total		**–**	**1 573**

6. Payments for financial assets

	Note	2016/17 R'000	2015/16 R'000
Other material losses written off	6.1	1 037	32 080
Debts written off	6.2	362	12 323
Total		**1 399**	**44 403**

6.1 Other material losses written off

	Note	2016/17 R'000	2015/16 R'000
Recoverable expenditure	6	1 037	32 080
Total		**1 037**	**32 080**

6.2 Other debt written off

	Note	2016/17 R'000	2015/16 R'000
Nature of losses	6		
BAS Debts		362	12 323
Total		**362**	**12 323**

7. Transfers and subsidies

	Note	2016/17 R'000	2015/16 R'000
Provinces and municipalities	34, 35	1 425 666	1 139 399
Departmental agencies and accounts	Annex 1B	3 507 344	3 653 519
Foreign governments and international organisations	Annex 1D	28 234	23 363
Public corporations and private enterprises	Annex 1C	-	50 000
Non-profit institutions	Annex 1E	600 427	535 147
Households	Annex 1F	9 579	9 886
Total		**5 571 250**	**5 411 314**
Unspent funds transferred to the above beneficiaries		**173 975**	**130 999**

8. Expenditure for capital assets

	Note	2016/17 R'000	2015/16 R'000
Tangible assets		**19 722**	**23 180**
Machinery and equipment	30.1	19 722	23 180
Intangible assets		**6 057**	**357**
Software	31.1	6 057	357
Total		**25 779**	**23 537**

8.1 Analysis of funds utilised to acquire capital assets – 2016/17

	Voted funds R'000	Total R'000
Tangible assets	**19 722**	**19 ,722**
Machinery and equipment	19 722	19 722
Intangible assets	**6 057**	**6 057**
Software	6 057	6 057
Total	**25 779**	**25 779**

8.2 Analysis of funds utilised to acquire capital assets – 2015/16

	Voted funds R'000	Total R'000
Tangible assets	**23 180**	**23 180**
Machinery and equipment	23 180	23 180
Intangible assets	**357**	**357**
Software	357	357
Total	**23 537**	**23 537**

8.3 Finance lease expenditure included in expenditure for capital assets

	Voted funds R'000	Total R'000
Tangible assets	**4 040**	**3 644**
Machinery and equipment	4 040	3 644
Total	**4 040**	**3 644**

9. Unauthorised expenditure

9.1 Reconciliation of unauthorised expenditure

	Note	2016/17 R'000	2015/16 R'000
Opening balance		261 169	261 169
Prior period error		–	–
As restated		261 169	261 169
Unauthorised expenditure – discovered in current year (as restated)		–	–
Closing balance		**261 169**	**261 169**

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
Total	**261 169**	**261 169**

9.3 Analysis of unauthorised expenditure awaiting authorisation per type

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
Total	**261 169**	**261 169**

9.4 Details of unauthorised expenditure

Incident	Disciplinary steps taken/criminal proceedings	R'000
Unauthorised expenditure under capital expenditure incurred towards building 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
Total		**261 169**

10. Cash and cash equivalents

	Note	2016/17 R'000	2015/16 R'000
Cash on hand		126	167
Total		**126**	**167**

11. Prepayments and advances

	Note	2016/17 R'000	2015/16 R'000
	11		
Travel and subsistence		22	149
Prepayments (not expensed)	11.2	4 324	6 237
Advances paid	11.1	7 272	5 031
Total		**11 618**	**11 417**

11.1 Advances paid

	Note	2016/17 R'000	2015/16 R'000
	11		
National departments		–	12
Public entities		6 732	5 018
Other entities		540	1
Total		**7 272**	**5 031**

11.2 Prepayments (Not expensed)

	Note	2016/17 R'000	2015/16 R'000
	11		
Goods and services		4 324	6 237
Total		**4 324**	**6 237**

12. Receivables

		2016/17			2015/16		
		Current	Non-current	Total	Current	Non-current	Total
	Note	R'000	R'000	R'000	R'000	R'000	R'000
Claims recoverable	12.1	574 547	55 413	629 960	457 758	40 055	497 813
Recoverable expenditure	12.2	145	286	431	184	326	510
Staff debt	12.3	137	163	300	73	226	299
Other debtors	12.4	52	2 255	2 307	2	2 330	2 332
Total		**574 881**	**58 117**	**632 998**	**458 017**	**42 937**	**500 954**

12.1 Claims recoverable

	Note	2016/17	2015/16
	12 and Annex 3	R'000	R'000
National departments		51 894	40 221
Provincial department		125	–
Public entities		577 941	457 592
Total		**629 960**	**497 813**

12.2 Recoverable expenditure (disallowance accounts)

	Note	2016/17	2015/16
Disallowance	12	387	406
Private telephone		7	4
Salary accounts		37	100
Total		**431**	**510**

12.3 Staff debt

	Note	2016/17	2015/16
Personnel debt	13	300	299
Total		**300**	**299**

12.4 Other debtors

	Note	2016/17	2015/16
Breach of contract (bursaries)	12	2 307	2 332
Total		**2 307**	**2 332**

12.5 Fruitless and wasteful expenditure

	Note	2016/17 R'000	2015/16 R'000
Opening balance	12	–	94
Less amounts recovered		–	(94)
Total		**–**	**–**

12.6 Impairment of receivables

Estimate of impairment of receivables		57 817	2 269
Total		**57 817**	**2 269**

13. Voted funds to be surrendered to the Revenue Fund

Opening balance		**31 078**	**104 798**
As restated		31 078	104 798
Transfer from Statement of Financial Performance (as restated)		109 453	31 075
Add: Unauthorised expenditure for current year	9	–	–
Voted funds not requested or not received		–	–
Paid during the year		(31 076)	(104 795)
Closing balance		**109 455**	**31 078**

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

Opening balance		**5 338**	**5 375**
As restated		5 338	5 375
Transfer from Statement of Financial Performance (as restated)		14 608	7 106
Paid during the year		(9 064)	(7 143)
Closing balance		**10 882**	**5 338**

15. Bank overdraft

Consolidated Paymaster-General Account		753 659	648 528
Total		**753 659**	**648 528**

16. Payables – current

	Note	2016/17 R'000	2015/16 R'000
Advances received	16.1	22 208	79 393
Clearing accounts	16.2	181	622
Other payables	16.3	4 358	3 750
Total		**26 747**	**83 765**

16.1 Advances received

National departments		22 188	79 147
Provincial departments		20	246
Total		**22 208**	**79 393**

16.2 Clearing accounts

Salary income tax (payable to SARS)	16	154	584
Salary clearing accounts		27	38
Total		**181**	**622**

16.3 Other payables

Funds received on behalf of the PMTE		649	192
Unspent funds received from Northern Cape		–	517
Funds received from various departments on behalf of PVMB		2 770	3 041
GMT recoveries accident cost		939	–
Total		**4 358**	**3 750**

17. Net cash flow available from operating activities

Net surplus/(deficit) as per Statement of Financial Performance	124 061	38 181
Add back non-cash/cash movements not deemed operating activities	(203 694)	(498 178)
(Increase)/decrease in receivables – current	(132 044)	(416 653)
(Increase)/decrease in prepayments and advances	(201)	1 459
Increase/(decrease) in payables – current	(57 018)	5 426
Proceeds from sale of capital assets	(70)	(9)
Expenditure on capital assets	25 779	23 537
Surrenders to Revenue Fund	(40 140)	(111 938)
Net cash flow generated by operating activities	**(79 633)**	**(459 997)**

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

	Note	2016/17 R'000	2015/16 R'000
Consolidated Paymaster-General account		(753 659)	(648 528)
Cash on hand		126	167
Total		**(753 533)**	**(648 361)**

19. Contingent liabilities and contingent assets

19.1 Contingent liabilities

		Note 19	2016/17 R'000	2015/16 R'000
Liable to Housing loan guarantees	Nature Employees	Annex 2A	13	13
Claims against the department		Annex 2B	874	10
Intergovernmental payables (unconfirmed balances)		Annex 4	1 488	6 428
Total			**2 375**	**6 451**

19.2 Contingent assets

	Note 19		
Non-security upgrades at President's residence		–	7 814
Total		**–**	**7 814**

20. Commitments

Current expenditure		
Approved and contracted	177 330	163 880
Approved but not yet contracted	–	2,746
	177 330	**166 626**
Capital expenditure		
Approved and contracted	1 374	8 951
Approved but not yet contracted	–	5 266
	1 374	**14 217**
Total	**178 704**	**180 843**

21. Accruals and payables not recognised

21.1 Accruals

Listed by economic classification

	30 days	30+ days	Total	Total
Goods and services	27 234	877	28 111	23 301
Transfers and subsidies	–	–	–	–
Capital assets	–	–	–	–
Other	30	–	30	25
Total	**27 264**	**877**	**28 141**	**23 326**

	2016/17 R'000	2015/16 R'000
Listed by programme level		
Administration	1 860	14 123
Intergovernmental Coordination	150	300
Expanded Public Works Programme	26 009	8 195
Property and Construction Industry Policy and Research	–	357
Prestige Policy	122	351
Total	**28 141**	**23 326**

21.2 Payables not recognised

Listed by economic classification

	30 days	30+ days	Total	Total
Goods and services	18 672	2 690	21 362	25 632
Transfers and subsidies	–	–	–	11
Capital assets	195	–	195	9 480
Other	181	–	181	–
Total	**19 048**	**2 690**	**21 738**	**35 123**

	2016/17 R'000	2015/16 R'000
Listed by programme level		
Administration	10 061	20 028
Intergovernmental Coordination	2 815	345
Expanded Public Works Programme	7 840	14 257
Property and Construction Industry Policy and Research	301	33
Prestige Policy	721	460
Total	**21 738**	**35 123**

		2016/17 R'000	2015/16 R'000
Included in the above totals are the following:			
Confirmed balances with other departments	Annex 4	1 537	2 848
Confirmed balances with other government entities	Annex 4	17 612	3 010
Total		**19 149**	**5 858**

22. Employee benefits

Leave entitlement	20 776	18 565
Service bonus (thirteenth cheque)	9 236	8 841
Performance awards	7 077	5 362
Capped leave commitments	8 004	8 661
Other	1 201	959
Total	**46 294**	**42 388**

At this stage, the Department is not able to reliably measure the long-term portion of the long service awards. The R21 million leave entitlement represents the debit amounts. There are also credit balances amounting to R158 000 not included in the balance.

23. Lease commitments

23.1 Operating leases expenditure

2016/17	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	–	–	1 459	–	1 459
Later than 1 year and not later than 5 years	–	–	–	–	-
Total lease commitments	**–**	**–**	**1 459**	**–**	**1 459**

2015/16	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	–	–	5 760	–	5 760
Later than 1 year and not later than 5 years	–	–	1 459	–	1 459
Total lease commitments	**–**	**–**	**7 219**	**–**	**7 219**

23.2 Finance leases expenditure

2016/17	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	–	–	–	3 074	3 074
Later than 1 year and not later than 5 years	–	–	–	2 420	2 420
Total lease commitments	**–**	**–**	**–**	**5 494**	**5 494**

2015/16	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	–	–	–	3 653	3 653
Later than 1 year and not later than 5 years	–	–	–	1 295	1 295
Total lease commitments	**–**	**–**	**–**	**4 948**	**4 948**

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

24. Accrued departmental revenue

	Note	2016/17	2015/16
		R'000	R'000
Interest, dividends and rent on land		1 416	1 711
Total		**1 416**	**1 711**

24.1 Analysis of accrued departmental revenue

	2016/17	2015/16
Opening balance	1 711	4 069
Less: amounts received	(10 971)	(46)
Add: amounts recognised	10 676	295
Less: amounts written off/reversed as irrecoverable	–	(2 607)
Closing balance	**1 416**	**1 711**

24.2 Impairment of accrued departmental revenue

	Note	2016/17 R'000	2015/16 R'000
Estimate of impairment of accrued departmental revenue		–	1 193
Total		–	**1 193**

25. Irregular expenditure

25.1 Reconciliation of irregular expenditure

	2016/17	2015/16
Opening balance	**358 680**	**366 366**
Prior period error	–	(9 359)
As restated	358 680	357 007
Add: Irregular expenditure – relating to prior year	–	–
Add: Irregular expenditure – relating to current year	169	1 673
Less: Current year amounts condoned	(18 146)	–
Less: Amounts not condoned and recoverable	–	–
Less: Amounts not condoned and not recoverable	(180 850)	–
Closing balance	**159 853**	**358 680**

Analysis of awaiting condonation per age classification

Current year	169	1 673
Prior years	159 684	357 007
Total	**159 853**	**358 680**

25.2 Details of irregular expenditure – current year

Incident	Disciplinary steps taken/criminal proceedings	2016/17 R'000
Deviations to obtain three quotations not justifiable	Letter sent to relevant managers for explanation	169
Total		**169**

25.3 Details of irregular expenditures condoned

Incident	Not condoned by (condoning authority)	2016/17 R'000
Finance lease extended without National Treasury approval	National Treasury	13 556
Deviations incorrectly approved	National Condonation Committee	4 590
Total		18 146

25.4 Details of irregular expenditures not recoverable (not condoned)

Incident	Not condoned by (condoning authority)	2016/17 R'000
Transfer payment to Agrément SA not approved by National Treasury	National Treasury	56 021
Procurement of Facilities Management contract	Accouning Officer	124 708
Payment on expired contract	Accouning Officer	121
Total		**180 850**

25.5 Details of irregular expenditures under investigation

Incident	2016/17 R'000
Procurement processes not followed	153 742
Local content not applied	6 022
Transfer payment increase to Commonwealth not approved by National Treasury	90
Total	**159 854**

25.6 Prior-period error

	Note	2015/16 R'000
Nature of prior-period error		
Relating to 2014/15 (affecting the opening balance)		**(9 359)**
PMTE transactions already transferred to PMTE		(489)
Transactions condoned in prior years		(8 870)
Total prior period errors		**(9 359)**

Prior-period error includes an amount of R489 000, which was transferred to the PMTE in the previous years. An investigation was conducted and found prior-period errors amounting to R8.8 million.

26. Fruitless and wasteful expenditure

26.1 Reconciliation of fruitless and wasteful expenditure

	Note	2016/17 R'000	2015/16 R'000
Opening balance		2 705	1 065
Prior period error		–	–
As restated		2 705	1 065
Fruitless and wasteful expenditure – relating to prior year		–	67

	Note	2016/17 R'000	2015/16 R'000
Fruitless and wasteful expenditure – relating to current year		10	1 573
Less: Amounts resolved		–	–
Less: Amounts transferred to receivables for recovery	15.6	–	–
Closing balance		**2 715**	**2 705**

26.2 Analysis of awaiting resolution per economic classification

	2016/17 R'000	2015/16 R'000
Current	2 715	2 705
Total	**2 715**	**2 705**

26.3 Analysis of current year's fruitless and wasteful expenditure

Incident	Disciplinary steps taken/criminal proceedings	2016/17 R'000
Catering payment processed for the cancelled meeting	Under investigation	10
Total		**10**

27. Related party transactions

Related parties to the Department

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

a) Independent Development Trust (IDT): Government development agency to implement projects commissioned by government.
b) Parliamentary Village Management Board: Provides transport to and from the parliamentary villages for residents (parliamentarians and sessional officials) who are in Cape Town.
c) Agrément South Africa: Promotes and supports the process of integrated socio-economic development in South Africa.
d) Council for the Built Environment: Oversees built environment professional councils.
e) Construction Industry Development Board: Provides strategic direction for sustainable growth, reform and improvements of the construction sector and its role in the economy.
f) PMTE: Manages devolved accommodation-related costs and user charges.

Related-parties transactions

1. Independent Development Trust

The management fee (identified as a non-arm's length transaction) and the contract cost are 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. PMTE

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's operating activities as these liabilities will be settled using the PMTE's funds and resources.

2.1 Details of in-kind goods and services provided or 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

	Number of individuals	2016/17 R'000	2015/16 R'000
Political office bearers	2	4 227	4 253
Officials:			
Level 15 to 16	8	10 867	18 345
Level 14 (including CFO if at a lower level)	25	28 519	29 082
Secondments	8	10 575	9 530
Total		**54 188**	**61 210**

The political office bearers are the Minister and Deputy Minister.

29. Public-private partnership

	2016/17 R'000	2015/16 R'000
Unitary fee paid	**6 329**	**5 438**
Fixed component	–	141
Indexed component	6 329	5 297

	2016/17 R'000	2015/16 R'000
Analysis of indexed component	**6 330**	**5 298**
Goods and services (excluding lease payments)	1 753	1 709
Operating leases	4 577	3 589
Capital/(liabilities)	**–**	**141**
Tangible rights	–	141
Other	**1 566**	**1 367**
Other obligations	1 566	1 367

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 current contract operates on a month-to-month basis from 1 December 2015 for a period not longer than 15 months, expiring in February 2017. Included in other obligations is an amount of R1.6 million for operating lease commitments amounting to R200 000 and accruals amounting to R1.4 million.

30. Movable tangible capital assets

Movement in movable tangible capital assets per asset register for the year ended 31 March 2017

	Opening balance	Value adjustments	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
Heritage assets	**112 826**	**–**	**397**	**170**	**113 053**
Heritage assets	112 826	–	397	170	113 053
Machinery and equipment	**285 705**	**–**	**20 221**	**21 340**	**284 586**
Transport assets	4 047	–	–	643	3 404
Computer equipment	58 133	–	3 877	10 584	51 426
Furniture and office equipment	202 657	–	9 626	7 601	204 682
Other machinery and equipment	20 868	–	6 718	2 512	25 074
Total movable tangible capital assets	**398 531**	**–**	**20 618**	**21 510**	**397 639**

30.1 Additions

Additions to movable tangible capital assets per asset register for the year ended 31 March 2017

	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
Heritage assets	–	**397**	–	–	**397**
Heritage assets	–	397	–	–	397
Machinery and equipment	**19 722**	**5 608**	**(4 040)**	**(1 069)**	**20 221**
Computer equipment	3 044	833	–	–	3 877
Furniture and office equipment	8 648	2 071	–	(1 093)	9 626
Other machinery and equipment	8 030	2 704	(4 040)	24	6 718
Total additions to movable tangible capital assets	**19 722**	**6 005**	**(4 040)**	**(1 069)**	**20 618**

30.2 Disposals

Disposals of movable tangible capital assets per asset register for the year ended 31 March 2017

	Sold for cash	Non-cash disposal	Total disposals	Cash received actual
	R'000	R'000	R'000	R'000
Heritage assets	**–**	**170**	**170**	**–**
Heritage assets	–	170	170	–
Machinery and equipment	**643**	**20 697**	**21 340**	**70**
Transport assets	643	–	643	70
Computer equipment	–	10 584	10 584	–
Furniture and office equipment	–	7 601	7 601	–
Other machinery and equipment	–	2 512	2 512	–
Total disposal of movable tangible capital assets	**643**	**20 867**	**21 510**	**70**

30.3 Movement for 2015/16

Movement in tangible capital assets per asset register for the year ended 31 March 2016

	Opening balance	Prior period error	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
Heritage assets	**111 703**	**1 200**	**195**	**272**	**112 826**
Heritage assets	111 703	1 200	195	272	112 826
Machinery and equipment	**272 438**	**(1 233)**	**23 557**	**9 057**	**285 705**
Transport assets	3 138	–	918	9	4 047
Computer equipment	50 706	19	8 717	1 309	58 133
Furniture and office equipment	198 112	(1 273)	11 952	6 134	202 657
Other machinery and equipment	20 482	21	1 970	1 605	20 868
Total movable tangible capital assets	**384 141**	**(33)**	**23 752**	**9 329**	**398 531**

30.3.1 Prior-period error

	Note	2015/16 R'000
Nature of prior period error		
Relating to 2013/14 (affecting the opening balance)		**(33)**
Computer equipment		1 200
Furniture and office equipment		(1 254)
Other machinery and equipment		21
Relating to 2015/16		**(145)**
Heritage assets		170
Computer equipment		(410)
Other machinery and equipment		95
Total prior-period errors		**(178)**

30.4 Minor assets

Movement in minor assets per the asset register for the year ended as at 31 March 2017

	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	–	–	3 833	110 560	–	114 393
Value adjust Additions	–	–	–	3 778	–	3 778
Disposals	–	–	–	4 176	–	4 176
Total minor assets	**–**	**–**	**3 833**	**110 162**	**–**	**113 995**

	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
Number of R1 minor assets	–	–	–	3 108	–	3 108
Number of minor assets at cost	–	–	1 963	60 892	–	62 855
Total number of minor assets	**–**	**–**	**1 963**	**64 000**	**–**	**65 963**

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	–	–	3 830	110 463		114 293
Prior period error	–	–				
Additions	–	–	8	5 943		5 951
Disposals	–	–	5	5 846		5 851
Total minor assets	**–**	**–**	**3 833**	**110 560**	**–**	**114 393**

	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
Number of R1 minor assets	–	–	–	3 312		3 312
Number of minor assets at cost	–	–	1 963	61 501		63 464
Total number of minor assets	**–**	**–**	**1 963**	**64 813**		**66 776**

30.4.1 Prior-period error

	Note	2015/16 R'000
Nature of prior period error		
Relating to 2014/15 (affecting the opening balance)		–
Heritage assets		(1 740)
Machinery and equipment		1 740
Relating to 2015/16		**(20)**
Machinery and equipment		(20)
Total prior-period errors		**(20)**

31. Intangible capital assets

Movement in intangible capital assets per asset register for the year ended 31 March 2017

	Opening balance	Value adjustments	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
Software	59 989	–	6 057	–	66 046
Total intangible capital assets	**59 989**	**–**	**6 057**	**–**	**66 046**

31.1 Additions

Additions to intangible capital assets per asset register for the year ended 31 March 2017

	Sold for cash	Non-cash disposal	(Develop-ment 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	6 057	–	–	–	6 057
Total additions to intangible capital assets	**6 057**	**–**	**–**	**–**	**6 057**

31.2 Movement for 2015/16

Movement in intangible capital assets per asset register for the year ended 31 March 2016

	Opening balance	Prior period error	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
Software	59 640	–	357	8	59 989
Total intangible capital assets	**59 640**	**–**	**357**	**8**	**59 989**

32. Principal-agent arrangement

32.1 Department acting as the principal

	2016/17	2015/16
	R'000	R'000
International Labour Organisation	2 528	1 350
Independent Development Trust	2 641	3 450
Independent Development Trust (non-state sector)	11 884	11 275
Total	**17 053**	**16 075**

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 this service.
- International Labour Organisation (ILO): The ILO assists the Department with capacity and best practice methodology for the implementation of the EPWP projects. The ILO receives 13% of the direct project cost.
- Independent Development Trust (IDT): Construction of strategic priority projects of the Department. The IDT receives 10% of the project cost for project management services provided.

33. Department acting as the agent

33.1 Department acting as the principal

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	73 040	(55 186)
Eastern Cape Provincial Department of Roads and Public Works	8 500	(8 480)
Total	**81 540**	**(63 666)**

33.2 Reconciliation of carrying amount of receivables and payables – 2016/17 receivables

	Opening balance	Less: Write-offs/ settlements/ waivers	Closing balance
	R'000	R'000	R'000
National Department of Basic Education	51 802	–	51 802
Total intangible capital assets	**51 802**	**–**	**51 802**

34. Prior-period errors

Correction of prior period errors	**Note**	**2015/16 R'000**
Expenditure		
Irregular expenditure		9 359
Net effect		**9 359**

Prior-period error includes an amount of R489 000, which was transferred to the PMTE in the previous years. An investigation was conducted and found prior-period errors amounting to R8.8 million.

	Note	**2015/16 R'000**
Assets:		
Movable assets		178
Minor assets		20
Net effect		**198**

Movable assets: Prior error is due to incorrect classification of assets identified during the audit process, as well as price changes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. Statement of conditional grants paid to the provinces

Name of province or grant	Grant allocation				Transfer			Spent			2015/16
	Division of Revenue Act	Roll-overs	Adjustments	Total available	Actual transfer	Funds withheld	Re-allocations by National Treasury or national department	Amount received by department	Amount spent by department	Percentage of available funds spent by department	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Summary by province											
Eastern Cape	98 830	–	–	98 830	98 830	–	–	98 830	97 456	99%	82 780
Free State	47 620	–	–	47 620	47 620	–	–	47 620	44 250	93%	40 989
Gauteng	82 789	–	–	82 789	82 789	–	–	82 789	80 930	98%	91 656
KwaZulu-Natal	165 619	–	–	165 619	165 619	–	–	165 619	162 402	98%	109 908
Limpopo	55 547	–	–	55 547	55 547	–	–	55 547	53 ,894	97%	42 181
Mpumalanga	102 409	–	–	102 409	102 409	–	–	102 409	96 966	95%	60 168
Northern Cape	44 645	–	–	44 645	44 645	–	–	44 645	41 409	93%	29 389
North West	93 074	–	–	93 074	93 074	–	–	93 074	91 010	98%	62 300
Western Cape	71 138	–	–	71 138	71 138	–	–	71 138	70 720	99%	32 939
Total	**761 671**	**–**	**–**	**761 671**	**761 671**	**–**	**–**	**761 671**	**739 037**	**97%**	**552 310**
EPWP Integrated Grant for Provinces	402 009	–	–	402 009	402 009	–	–	402 009	388 896	97%	326 207
Social Sector EPWP Incentive Grant for Provinces	359 662	–	–	359 662	359 662	–	–	359 662	350 141	97%	226 103
	761 671	**–**	**–**	**761 671**	**761 671**	**–**	**–**	**761 671**	**739 037**		**552 310**

Name of province or grant	Grant allocation				Transfer			Spent			2015/16
	Division of Revenue Act	Roll-overs	Adjustments	Total available	Actual transfer	Funds withheld	Re-allocations by National Treasury or national department	Amount received by department	Amount spent by department	Percentage of available funds spent by department	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
1. EPWP Integrated Grant for Provinces											
Eastern Cape	77 370	–	–	77 370	77 370	–	–	77 370	76 323	99%	72 575
Free State	25 641	–	–	25 641	25 641	–	–	25 641	22 362	87%	21 281
Gauteng	32 820	–	–	32 820	32 820	–	–	32 820	31 112	95%	20 641
KwaZulu-Natal	104 066	–	–	104 066	104 066	–	–	104 066	103 758	100%	88 406
Limpopo	18 745	–	–	18 745	18 745	–	–	18 745	17 168	92%	20 686
Mpumalanga	42 855	–	–	42 855	42 855	–	–	42 855	39 071	91%	33 405
Northern Cape	17 876	–	–	17 876	17 876	–	–	17 876	17 857	100%	13 945
North West	51 021	–	–	51 021	51 021	–	–	51 021	49 858	98%	32 112
Western Cape	31 615	–	–	31 615	31 615	–	–	31 615	31 387	99%	23 156
	402 009	**–**	**–**	**402 009**	**402 009**	**–**	**–**	**402 009**	**388 896**	**97%**	**326 207**
2. Social Sector EPWP Incentive Grant for Provinces											
Eastern Cape	21 460	–	–	21 460	21 460	–	–	21 460	21 133	98%	10 205
Free State	21 979	–	–	21 979	21 979	–	–	21 979	21 888	100%	19 708
Gauteng	49 969	–	–	49 969	49 969	–	–	49 969	49 818	100%	71 015
KwaZulu-Natal	61 553	–	–	61 553	61 553	–	–	61 553	58 644	95%	21 502
Limpopo	36 802	–	–	36 802	36 802	–	–	36 802	36 726	100%	21 495
Mpumalanga	59 554	–	–	59 554	59 554	–	–	59 554	57 895	97%	26 763
Northern Cape	26 769	–	–	26 769	26 769	–	–	26 769	23 552	88%	15 444
North West	42 053	–	–	42 053	42 053	–	–	42 053	41 152	98%	30 188
Western Cape	39 523	–	–	39 523	39 523	–	–	39 523	39 333	100%	9 783
	359 662	**–**	**–**	**359 662**	**359 662**	**–**	**–**	**359 662**	**350 141**	**97%**	**226 103**

The Department certifies that all transfers to provinces were deposited into the primary bank account in terms of the Division of Revenue Act.

36. Statement of conditional grants and other transfers paid to municipalities

Name of Municipality	Grant allocation				Transfer		
	Division of Revenue Act	Roll-overs	Adjustments	Total available	Actual transfer	Funds withheld	Re-allocations by National Treasury or national department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Buffalo City	1 188	–	–	1 188	1 188	–	–
Nelson Mandela Bay	8 496	–	–	8 496	8 496	–	–
Camdeboo	3 101	–	–	3 101	3 101	–	–
Blue Crane Route	1 008	–	–	1 008	1 008	–	–
Makana	1 000	–	–	1 000	1 000	–	–
Ndlambe	1 000	–	–	1 000	1 000	–	–
Sundays River Valley	1 000	–	–	1 000	1 000	–	–
Kouga	1 057	–	–	1 057	1 057	–	–
Kou-Kamma	1 000	–	–	1 000	1 000	–	–
Cacadu District Municipality/Sarah Baartman	1 000	–	–	1 000	1 000	–	–
Mbhashe	1 144	–	–	1 144	1 144	–	–
Mnquma	1 000	–	–	1 000	1 000	–	–
Great Kei	1 000	–	–	1 000	1 000	–	–
Amahlathi	1 062	–	–	1 062	1 062	–	–
Ngqushwa	1 000	–	–	1 000	1 000	–	–
Raymond Mhlaba (Nkonkobe and Nonkobe)	2 167	–	–	2 167	2 167	–	–
Amathole District Municipality	2 297	–	–	2 297	2 297	–	–
Inxuba Yethemba	1 479	–	–	1 479	1 479	–	–
Intsika Yethu	1 311	–	–	1 311	1 311	–	–
Emalahleni (Eastern Cape)	1 415	–	–	1 415	1 415	–	–
Engcobo	2 000	–	–	2 000	2 000	–	–

Name of Municipality	Grant allocation				Transfer		
	Division of Revenue Act	Roll-overs	Adjustments	Total available	Actual transfer	Funds withheld	Re-allocations by National Treasury or national department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Sakhisizwe	1 117	–	–	1 117	1 117	–	–
Enoch Mgijima (Inkwanca, Tsolwana and Lukanji)	4 079	–	–	4 079	4 079	–	–
Chris Hani District Municipality	7 797	–	–	7 797	7 797	–	–
Elundini	1 548	–	–	1 548	1 548	–	–
Senqu	1 497	–	–	1 497	1 497	–	–
Walter Sisulu (Gariep and Maletswai)	2 438	–	–	2 438	2 438	–	–
Joe Gqabi District Municipality	1 474	–	–	1 474	1 474	–	–
Ngquza Hill	1 266	–	–	1 266	1 266	–	–
Port St Johns	1 000	–	–	1 000	1 000	–	–
Nyandeni	1 261	–	–	1 261	1 261	–	–
Mhlontlo	1 232	–	–	1 232	1 232	–	–
King Sabata Dalindyebo	1 699	–	–	1 699	1 699	–	–
ORTambo District Municipality	3 213	–	–	3 213	3 213	–	–
Matatiele	1 790	–	–	1 790	1 790	–	–
Umzimvubu	1 626	–	–	1 626	1 626	–	–
Mbizana	1 084	–	–	1 084	1 084	–	–
Ntabankulu	1 231	–	–	1 231	1 231	–	–
Alfred Nzo District Municipality	6 006	–	–	6 006	6 006	–	–
Mangaung (Mangaung and Naledi)	5 151	–	–	5 151	5 151	–	–
Letsemeng	1 000	–	–	1 000	1 000	–	–
Kopanong	1 155	–	–	1 155	1 155	–	–
Mohokare	1 000	–	–	1 000	1 000	–	–
Xhariep District Municipality	1 053	–	–	1 053	1 053	–	–
Masilonyana	1 147	–	–	1 147	1 147	–	–

Name of Municipality	Grant allocation				Transfer		
	Division of Revenue Act	Roll-overs	Adjustments	Total available	Actual transfer	Funds withheld	Re-allocations by National Treasury or national department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Tokologo	1 032	–	–	1 032	1 032	–	–
Tswelopele	1 000	–	–	1 000	1 000	–	–
Matjhabeng	1 131	–	–	1 131	1 131	–	–
Nala	1 000	–	–	1 000	1 000	–	–
Lejweleputswa District Municipality	1 000	–	–	1 000	1 000	–	–
Setsoto	1 908	–	–	1 908	1 908	–	–
Dihlabeng	1 000	–	–	1 000	1 000	–	–
Nketoana	1 023	–	–	1 023	1 023	–	–
Maluti-a-Phofung	7 650	–	–	7 650	7 650	–	–
Phumelela	1 000	–	–	1 000	1 000	–	–
Mantsopa	1 000	–	–	1 000	1 000	–	–
Thabo Mofutsanyana District Municipality	1 120	–	–	1 120	1 120	–	–
Moqhaka	1 000	–	–	1 000	1 000	–	–
Ngwathe	1 078	–	–	1 078	1 078	–	–
Metsimaholo	1 060	–	–	1 060	1 060	–	–
Mafube	1 000	–	–	1 000	1 000	–	–
Ekurhuleni	22 125	–	–	22 125	22 125	–	–
City of Johannesburg	47 613	–	–	47 613	47 613	–	–
City of Tshwane	50 247	–	–	50 247	50 247	–	–
Emfuleni	2 528	–	–	2 528	2 528	–	–
Midvaal	1 279	–	–	1 279	1 279	–	–
Lesedi	1 238	–	–	1 238	1 238	–	–
Sedibeng District Municipality	1 000	–	–	1 000	1 000	–	–
Mogale City	1 089	–	–	1 089	1 089	–	–

Name of Municipality	Grant allocation				Transfer		
	Division of Revenue Act	Roll-overs	Adjustments	Total available	Actual transfer	Funds withheld	Re-allocations by National Treasury or national department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Merafong City	1 424	–	–	1 424	1 424	–	–
Rand West City (Randfontein and Westonaria)	2 927	–	–	2 927	2 927	–	–
West Rand District Municipality	1 305	–	–	1 305	1 305	–	–
Ethekwini	49 478	–	–	49 478	49 478	–	–
Umdoni (Vulamehlo and Umdoni)	2 038	–	–	2 038	2 038	–	–
Umzumbe	1 083	–	–	1 083	1 083	–	–
UMuziwabantu	1 129	–	–	1 129	1 129	–	–
Ray Nkonyana (Ezingoleni and Hibiscus Coast)	2 660	–	–	2 660	2 660	–	–
Ugu District Municipality	1 788	–	–	1 788	1 788	–	–
uMshwathi	1 313	–	–	1 313	1 313	–	–
uMngeni	1 317	–	–	1 317	1 317	–	–
Mpofana	1 000	–	–	1 000	1 000	–	–
Impendle	1 443	–	–	1 443	1 443	–	–
Msunduzi	6 809	–	–	6 809	6 809	–	–
Mkhambathi	1 253	–	–	1 253	1 253	–	–
Richmond	1 277	–	–	1 277	1 277	–	–
Umgungundlovu District Municipality	2 094	–	–	2 094	2 094	–	–
Okhahlamba	2 934	–	–	2 934	2 934	–	–
Inkosi Langalibalele (Umtshezi and Imbabazane)	2 328	–	–	2 328	2 328	–	–
New municipality (Emnambithi/Ladysmith and Indaka)	4 906	–	–	4 906	4 906	–	–
Uthukela District Municipality	3 169	–	–	3 169	3 169	–	–
Endumeni	1 127	–	–	1 127	1 127	–	–
Nquthu	1 337	–	–	1 337	1 337	–	–

Name of Municipality	Grant allocation				Transfer		
	Division of Revenue Act	Roll-overs	Adjustments	Total available	Actual transfer	Funds withheld	Re-allocations by National Treasury or national department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Msinga	2 095	–	–	2 095	2 095	–	–
Umvoti	2 373	–	–	2 373	2 373	–	–
Umzinyathi District Municipality	2 350	–	–	2 350	2 350	–	–
Newcastle	3 173	–	–	3 173	3 173	–	–
Emadlangeni	1 284	–	–	1 284	1 284	–	–
Dannhauser	1 119	–	–	1 119	1 119	–	–
Amajuba District Municipality	1 497	–	–	1 497	1 497	–	–
eDumbe	1 000	–	–	1 000	1 000	–	–
uPhongolo	3 021	–	–	3 021	3 021	–	–
Abaqulusi	1 398	–	–	1 398	1 398	–	–
Nongoma	1 102	–	–	1 102	1 102	–	–
Ulundi	1 000	–	–	1 000	1 000	–	–
Zululand District Municipality	3 624	–	–	3 624	3 ,624	–	–
Umhlabuyalingana	2 277	–	–	2 277	2 277	–	–
Jozini	3 338	–	–	3 338	3 338	–	–
Mtubatuba	1 408	–	–	1 408	1 408	–	–
Big % Hlabisa (Hlabisa and The Big 5 False Bay)	3 545	–	–	3 545	3 545	–	–
Umkhanyakude District Municipality	1 293	–	–	1 293	1 293	–	–
Mfolozi	1 649	–	–	1 649	1 649	–	–
New Municipality (uMhlathuze and W5 – 8 of Ntambanana)	5 061	–	–	5 061	5 061	–	–
uMlalazi	2 924	–	–	2 924	2 924	–	–
Mthonjaneni (Mthonjaneni and W1 – 4 of Ntambanana)	2 161	–	–	2 161	2 161	–	–
Nkandla	2 149	–	–	2 149	2 149	–	–
uThungulu District Municipality	5 466	–	–	5 466	5 466	–	–

Name of Municipality	Grant allocation				Transfer		
	Division of Revenue Act	Roll-overs	Adjustments	Total available	Actual transfer	Funds withheld	Re-allocations by National Treasury or national department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Mandeni	2 055	–	–	2 055	2 055	–	–
KwaDukuza	1 285	–	–	1 285	1 285	–	–
Ndwedwe	1 791	–	–	1 791	1 791	–	–
Maphumulo	1 261	–	–	1 261	1 261	–	–
iLembe District Municipality	1 850	–	–	1 850	1 850	–	–
Greater Kokstad	1 619	–	–	1 619	1 619	–	–
Ubuhlebezwe	1 985	–	–	1 985	1 985	–	–
Umzimkhulu	1 299	–	–	1 299	1 299	–	–
Nkosazana Dlamini-Zuma (Kwa Sani and Ingwe)	2 191	–	–	2 191	2 191	–	–
Harry Gwala/Sisonke District Municipality	3 364	–	–	3 364	3 364	–	–
Greater Giyani	1 158	–	–	1 158	1 158	–	–
Greater Letaba	1 405	–	–	1 405	1 405	–	–
Greater Tzaneen	1 949	–	–	1 949	1 949	–	–
Ba-Phalaborwa	1 000	–	–	1 000	1 000	–	–
Maruleng	1 000	–	–	1 000	1 000	–	–
Mopani District Municipality	1 943	–	–	1 943	1 943	–	–
Musina (Musina and parts of Mutale)	1 879	–	–	1 879	1 879	–	–
Thulamela (Thulamela and parts of Mutale)	2 986	–	–	2 986	2 986	–	–
Makhado	1 281	–	–	1 281	1 281	–	–
Vhembe District Municipality	3 462	–	–	3 462	3 462	–	–
Blouberg (Blouberg and parts of Aganang)	1 808	–	–	1 808	1 808	–	–
Molemole (Molemole and parts of Aganang)	1 382	–	–	1 382	1 382	–	–
Polokwane (Polokwane and parts of Aganang)	5 975	–	–	5 975	5 975	–	–

Name of Municipality	Grant allocation				Transfer		
	Division of Revenue Act	Roll-overs	Adjustments	Total available	Actual transfer	Funds withheld	Re-allocations by National Treasury or national department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Lepele-Nkumpi	1 295	–	–	1 295	1 295	–	–
Capricorn District Municipality	2 922	–	–	2 922	2 922	–	–
Thabazimbi	2 070	–	–	2 070	2 070	–	–
Lephalale	1 215	–	–	1 215	1 215	–	–
Bela-Bela	1 082	–	–	1 082	1 082	–	–
Mogalakwena	2 073	–	–	2 073	2 073	–	–
Modimolle (Modimolle and Mookgopong)	2 302	–	–	2 302	2 302	–	–
Waterberg District Municipality	1 102	–	–	1 102	1 102	–	–
Ephraim Mogale	1 258	–	–	1 258	1 258	–	–
Elias Motsoaledi	1 095	–	–	1 095	1 095	–	–
Makhuduthamaga	1 505	–	–	1 505	1 505	–	–
New Municipality (Fetakgomo and Greater Tubatse)	2 121	–	–	2 121	2 121	–	–
Sekhukhune District Municipality	1 539	–	–	1 539	1 539	–	–
Albert Luthuli	3 304	–	–	3 304	3 304	–	–
Msukaligwa	1 376	–	–	1 376	1 376	–	–
Mkhondo	2 452	–	–	2 452	2 452	–	–
Pixley Ka Seme	1 702	–	–	1 702	1 702	–	–
Lekwa	1 012	–	–	1 012	1 012	–	–
Dipaleseng	1 510	–	–	1 510	1 510	–	–
Govan Mbeki	2 568	–	–	2 568	2 568	–	–
Gert Sibande District Municipality	3 113	–	–	3 113	3 113	–	–
Victor Khanye	2 040	–	–	2 040	2 040	–	–
Emalahleni (Mpumalanga)	2 891	–	–	2 891	2 891	–	–
Steve Tshwete	2 103	–	–	2 103	2 103	–	–

Name of Municipality	Grant allocation				Transfer		
	Division of Revenue Act	Roll-overs	Adjustments	Total available	Actual transfer	Funds withheld	Re-allocations by National Treasury or national department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Emakhazeni	1 217	–	–	1 217	1 217	–	–
Thembisile Hani	2 244	–	–	2 244	2 244	–	–
Dr JS Moroka	4 257	–	–	4 257	4 257	–	–
Nkangala District Municipality	2 318	–	–	2 318	2 318	–	–
Thaba Chweu	1 683	–	–	1 683	1 683	–	–
Nkomazi	5 917	–	–	5 917	5 917	–	–
Bushbuckridge	3 780	–	–	3 780	3 780	–	–
City of Mbombela (Mbombela and Umjindi)	5 686	–	–	5 686	5 686	–	–
Ehlanzeni District Municipality	2 274	–	–	2 274	2 274	–	–
Richtersveld	1 000	–	–	1 000	1 000	–	–
Nama Khoi	1 000	–	–	1 000	1 000	–	–
Kamiesberg	1 000	–	–	1 000	1 000	–	–
Hantam	1 127	–	–	1 127	1 127	–	–
Karoo Hoogland	1 000	–	–	1 000	1 000	–	–
Khâi-Ma	1 000	–	–	1 000	1 000	–	–
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	–	–

Name of Municipality	Grant allocation				Transfer		
	Division of Revenue Act	Roll-overs	Adjustments	Total available	Actual transfer	Funds withheld	Re-allocations by National Treasury or national department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Pixley Ka Seme District Municipality	1 000	–	–	1 000	1 000	–	–
Kai !Garib	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	–	–
New Municipality (Mier and //Khara Hais)	2 000	–	–	2 000	2 000	–	–
ZF Mgcawu/Siyanda District Municipality	1 000	–	–	1 000	1 000	–	–
Sol Plaatjie	5 574	–	–	5 574	5 574	–	–
Dikgatlong	1 000	–	–	1 000	1 000	–	–
Magareng	1 000	–	–	1 000	1 000	–	–
Phokwane	1 037	–	–	1 037	1 037	–	–
Frances Baard District Municipality	1 000	–	–	1 000	1 000	–	–
Joe Morolong	1 050	–	–	1 050	1 050	–	–
Ga-Segonyana	1 000	–	–	1 000	1 000	–	–
Gamagara	1 000	–	–	1 000	1 000	–	–
John Taolo Gaetsewe District Municipality	1 000	–	–	1 000	1 000	–	–
Moretele	4 228	–	–	4 228	4 228	–	–
Madibeng	1 545	–	–	1 545	1 545	–	–
Rustenburg	4 219	–	–	4 219	4 219	–	–
Kgetlengrivier	1 737	–	–	1 737	1 737	–	–
Moses Kotane	2 735	–	–	2 735	2 735	–	–
Bojanala Platinum District Municipality	1 557	–	–	1 557	1 557	–	–
Ratlou	1 433	–	–	1 433	1 433	–	–
Tswaing	1 330	–	–	1 330	1 330	–	–
Mafikeng	3 672	–	–	3 672	3 672	–	–

Name of Municipality	Grant allocation				Transfer		
	Division of Revenue Act	Roll-overs	Adjustments	Total available	Actual transfer	Funds withheld	Re-allocations by National Treasury or national department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Ditsobotla	1 038	–	–	1 038	1 038	–	–
Ramotshere Moiloa	1 104	–	–	1 104	1 104	–	–
Ngaka Modiri Molema District Municipality	1 601	–	–	1 601	1 601	–	–
Naledi (North West)	1 884	–	–	1 884	1 884	–	–
Mamusa	1 078	–	–	1 078	1 078	–	–
Greater Taung	1 352	–	–	1 352	1 352	–	–
Lekwa-Teemane	1 000	–	–	1 000	1 000	–	–
Kagisano/Molopo	1 025	–	–	1 025	1 025	–	–
Dr Ruth Segomotsi Mompati District Municipality	2 273	–	–	2 273	2 273	–	–
City of Matlosana	1 656	–	–	1 656	1 656	–	–
Maquassi Hills	1 083	–	–	1 083	1 083	–	–
New Municipality (Venterdorp and Tlokwe)	3 421	–	–	3 421	3 421	–	–
Dr Kenneth Kaunda District Municipality	1 479	–	–	1 479	1 479	–	–
City of Cape Town	31 740	–	–	31 740	31 740	–	–
Matzikama	1 119	–	–	1 119	1 119	–	–
Cederberg	1 000	–	–	1 000	1 000	–	–
Bergrivier	1 141	–	–	1 141	1 141	–	–
Saldanha Bay	1 071	–	–	1 071	1 071	–	–
Swartland	1 460	–	–	1 460	1 460	–	–
West Coast District Municipality	1 036	–	–	1 036	1 036	–	–
Witzenberg	1 336	–	–	1 336	1 336	–	–
Drakenstein	1 352	–	–	1 352	1 352	–	–
Stellenbosch	1 758	–	–	1 758	1 758	–	–
Breede Valley	1 291	–	–	1 291	1 291	–	–

Name of Municipality	Grant allocation				Transfer		
	Division of Revenue Act	Roll-overs	Adjustments	Total available	Actual transfer	Funds withheld	Re-allocations by National Treasury or national department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Langeberg	1 759	–	–	1 759	1 759	–	–
Cape Winelands District Municipality	1 000	–	–	1 000	1 000	–	–
Theewaterskloof	1 104	–	–	1 104	1 104	–	–
Overstrand	1 922	–	–	1 922	1 922	–	–
Cape Agulhas	1 210	–	–	1 210	1 210	–	–
Swellendam	1 177	–	–	1 177	1 177	–	–
Overberg District Municipality	1 000	–	–	1 000	1 000	–	–
Kannaland	1 000	–	–	1 000	1 000	–	–
Hessequa	1 088	–	–	1 088	1 088	–	–
Mossel Bay	1 839	–	–	1 839	1 839	–	–
George	4 014	–	–	4 014	4 014	–	–
Oudtshoorn	2 448	–	–	2 448	2 448	–	-
Bitou	1 869	–	–	1 869	1 869	–	-
Knysna	1 292	–	–	1 292	1 292	–	-
Eden District Municipality	1 000	–	–	1 000	1 000	–	-
Laingsburg	1 000	–	–	1 000	1 000	–	-
Prince Albert	1 000	–	–	1 000	1 000	–	-
Beaufort West	1 617	–	–	1 617	1 617	–	-
Central Karoo District Municipality	1 000	–	–	1 000	1 000	–	-
Total	**663 991**	**–**	**–**	**663 991**	**663 991**	**–**	**–**

The Department certifies that all transfers to Municipalities were deposited into the primary bank account in terms of the Division of Revenue Act.

ANNEXURE 1A

STATEMENT OF CONDITIONAL GRANTS AND OTHER TRANSFERS PAID TO MUNICIPALITIES

	Grant allocation				Transfer			Spent			2015/16
	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	Percentage 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
Buffalo City	1 188	–	–	1 188	1 188	–	–	1 188	856	72%	1 149
Nelson Mandela Bay	8 496	–	–	8 496	8 496	–	–	8 496	1 926	23%	8 664
Camdeboo	3 101	–	–	3 101	3 101	–	–	3 101	673	22%	1 000
Blue Crane Route	1 008	–	–	1 008	1 008	–	–	1 008	731	73%	1 000
Ikwezi	–	–	–	–	–	–	–	–	–	–	1 000
Makana	1 000	–	–	1 000	1 000	–	–	1 000	363	36%	1 002
Ndlambe	1 000	–	–	1 000	1 000	–	–	1 000	804	80%	1 000
Sundays River Valley	1 000	–	–	1 000	1 000	–	–	1 000	752	75%	1 000
Baviaans	–	–	–	–	–	–	–	–	–	–	1 018
Kouga	1 057	–	–	1 057	1 057	–	–	1 057	1 057	100%	1 000
Kou-Kamma	1 000	–	–	1 000	1 000	–	–	1 000	635	64%	1 000
Cacadu District Municipality/Sarah Baartman	1 000	–	–	1 000	1 000	–	–	1 000	1 000	100%	1 133
Mbhashe	1 144	–	–	1 144	1 144	–	–	1 144	1 144	100%	1 052
Mnquma	1 000	–	–	1 000	1 000	–	–	1 000	1 ,027	103%	1 000
Great Kei	1 000	–	–	1 000	1 000	–	–	1 000	603	60%	1 000

	Grant allocation				Transfer			Spent			2015/16
	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	Percentage 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
Amahlathi	1 062	–	–	1 062	1 062	–	–	1 062	1 055	99%	1 056
Ngqushwa	1 000	–	–	1 000	1 000	–	–	1 000	732	73%	1 000
Raymond Mhlaba (Nkonkobe and Nonkobe)	2 167	–	–	2 167	2 167	–	–	2 167	1 441	66%	1 041
Nxuba	–	–	–	–	–	–	–	–	–	–	1 000
Amathole District Municipality	2 297	–	–	2 297	2 297	–	–	2 297	1 978	86%	2 667
Inxuba Yethemba	1 479	–	–	1 479	1 479	–	–	1 479	1 479	100%	1 308
Tsolwana	–	–	–	–	–	–	–	–	–	–	1 060
Inkwanca	–	–	–	–	–	–	–	–	–	–	1 000
Lukanji	–	–	–	–	–	–	–	–	–	–	1 529
Intsika Yethu	1 311	–	–	1 311	1 311	–	–	1 311	812	62%	1 271
Emalahleni (Eastern Cape)	1 415	–	–	1 415	1 415	–	–	1 415	1 266	89%	1 000
Engcobo	2 000	–	–	2 000	2 000	–	–	2 000	2 000	100%	1 672
Sakhisizwe	1 117	–	–	1 117	1 117	–	–	1 17	872	78%	1 000
Enoch Mgijima (Inkwanca, Tsolwana and Lukanji)	4 079	–	–	4 079	4 079	–	–	4 079	3 130	77%	–
Chris Hani District Municipality	7 797	–	–	7 797	7 797	–	–	7 797	6 252	80%	5 961
Elundini	1 548	–	–	1 548	1 548	–	–	1 548	1 508	97%	1 268
Senqu	1 497	–	–	1 497	1 497	–	–	1 497	1 497	100%	2 059
Walter Sisulu (Gariep and Maletswai)	2 438	–	–	2 438	2 438	–	–	2 438	1 838	75%	–
Maletswai	–	–	–	–	–	–	–	–	–	–	1 085
Gariep	–	–	–	–	–	–	–	–	–	–	1 000
Joe Gqabi District Municipality	1 474	–	–	1 474	1 474	–	–	1 474	1 032	70%	1 379

	Grant allocation				Transfer			Spent			2015/16
	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	Percentage 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
Ngquza Hill	1 266	–	–	1 266	1 266	–	–	1 266	1 266	100%	1 036
Port St Johns	1 000	–	–	1 000	1 000	–	–	1 000	1 000	100%	1 149
Nyandeni	1 261	–	–	1 261	1 261	–	–	1 261	1 261	100%	1 219
Mhlontlo	1 232	–	–	1 232	1 232	–	–	1 232	680	55%	1 000
King Sabata Dalindyebo	1 699	–	–	1 699	1 699	–	–	1 699	1 699	100%	1 768
OR Tambo District Municipality	3 213	–	–	3 213	3 213	–	–	3 213	3 213	100%	6 693
Matatiele	1 790	–	–	1 790	1 790	–	–	1 790	1 555	87%	1 780
Umzimvubu	1 626	–	–	1 626	1 626	–	–	1 626	1 626	100%	1 737
Mbizana	1 084	–	–	1 084	1 084	–	–	1 084	1 051	97%	1 000
Ntabankulu	1 231	–	–	1 231	1 231	–	–	1 231	758	62%	1 031
Alfred Nzo District Municipality	6 006	–	–	6 006	6 006	–	–	6 006	3 907	65%	4 853
Mangaung (Mangaung and Naledi)	5 151	–	–	5 151	5 151	–	–	5 151	–	0%	–
Mangaung	–	–	–	–	–	–	–	–	–	–	3 097
Letsemeng	1 000	–	–	1 000	1 000	–	–	1 000	907	91%	1 000
Kopanong	1 155	–	–	1 155	1 155	–	–	1 155	924	80%	1 363
Mohokare	1 000	–	–	1 000	1 000	–	–	1 000	310	31%	1 000
Naledi (Free State)	–	–	–	–	–	–	–	–	–	–	1 000
Xhariep District Municipality	1 053	–	–	1 053	1 053	–	–	1 053	331	31%	1 111
Masilonyana	1 147	–	–	1 147	1 147	–	–	1 147	1 018	89%	1 112
Tokologo	1 032	–	–	1 032	1 032	–	–	1 032	663	64%	1 223
Tswelopele	1 000	–	–	1 000	1 000	–	–	1 000	1 000	100%	1 073

	Grant allocation				Transfer			Spent			2015/16
	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	Percentage 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
Matjhabeng	1 131	–	–	1 131	1 131	–	–	1 131	267	24%	1 072
Nala	1 000	–	–	1 000	1 000	–	–	1 000	636	64%	1 000
Lejweleputswa District Municipality	1 000	–	–	1 000	1 000	–	–	1 000	1 000	100%	1 000
Setsoto	1 908	–	–	1 908	1 908	–	–	1 908	1 952	102%	2 042
Dihlabeng	1 000	–	–	1 000	1 000	–	–	1 000	503	50%	1 000
Nketoana	1 023	–	–	1 023	1 023	–	–	1 023	940	92%	1 108
Maluti-a-Phofung	7 650	–	–	7 650	7 650	–	–	7 650	7 650	100%	5 718
Phumelela	1 000	–	–	1 000	1 000	–	–	1 000	554	55%	1 000
Mantsopa	1 000	–	–	1 000	1 000	–	–	1 000	950	95%	1 000
Thabo Mofutsanyana District Municipality	1 120	–	–	1 120	1 120	–	–	1 120	1 120	100%	1 208
Moqhaka	1 000	–	–	1 000	1 000	–	–	1 000	884	88%	1 151
Ngwathe	1 078	–	–	1 078	1 078	–	–	1 078	359	33%	1 097
Metsimaholo	1 060	–	–	1 060	1 060	–	–	1 060	804	76%	1 020
Mafube	1 000	–	–	1 000	1 000	–	–	1 000	766	77%	1 000
Fezile Dabi District Municipality	–	–	–	–	–	–	–	–	–	–	1 000
Ekurhuleni	22 125	–	–	22 125	22 125	–	–	22 125	18 915	85%	13 709
City of Johannesburg	47 613	–	–	47 613	47 613	–	–	47 613	28 188	59%	38 447
City of Tshwane	50 247	–	–	50 247	50 247	–	–	50 247	50 247	100%	31 143
Emfuleni	2 528	–	–	2 528	2 528	–	–	2 528	2 528	100%	3 553
Midvaal	1 279	–	–	1 279	1 279	–	–	1 279	1 279	100%	1 327
Lesedi	1 238	–	–	1 238	1 238	–	–	1 238	1 238	100%	1 347

	Grant allocation				Transfer			Spent			2015/16
	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	Percentage 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
Sedibeng District Municipality	1 000	–	–	1 000	1 000	–	–	1 000	287	29%	1 000
Mogale City	1 089	–	–	1 089	1 089	–	–	1 089	1 081	99%	1 266
Randfontein	–	–	–	–	–	–	–	–	–	–	1 000
Westonaria	–	–	–	–	–	–	–	–	–	–	2 024
Merafong City	1 424	–	–	1 424	1 424	–	–	1 424	1 282	90%	1 775
Rand West City (Randfontein and Westonaria)	2 927	–	–	2 927	2 927	–	–	2 927	2 927	100%	–
West Rand District Municipality	1 305	–	–	1 305	1 305	–	–	1 305	1 063	81%	1 000
Ethekwini	49 478	–	–	49 478	49 478	–	–	49 478	49 478	100%	40 618
Umdoni (Vulamehlo and Umdoni)	2 038	–	–	2 038	2 038	–	–	2 038	1 184	58%	–
Vulamehlo	–	–	–	–	–	–	–	–	–	–	1 000
Umdoni	–	–	–	–	–	–	–	–	–	–	1 069
Umzumbe	1 083	–	–	1 083	1 083	–	–	1 083	915	84%	1 084
UMuziwabantu	1 129	–	–	1 129	1 129	–	–	1 129	884	78%	1 036
Ray Nkonyana (Ezingoleni and Hibiscus Coast)	2 660	–	–	2 660	2 660	–	–	2 660	1 640	62%	–
Ezingoleni	–	–	–	–	–	–	–	–	–	–	1 430
Hibiscus Coast	–	–	–	–	–	–	–	–	–	–	1 000
Ugu District Municipality	1 788	–	–	1 788	1 788	–	–	1 788	1 636	91%	1 826
uMshwathi	1 313	–	–	1 313	1 313	–	–	1 313	1 286	98%	1 115
uMngeni	1 317	–	–	1 317	1 317	–	–	1 317	1 317	100%	1 438
Mpofana	1 000	–	–	1 000	1 000	–	–	1 000	558	56%	1 000

	Grant allocation				Transfer			Spent			2015/16
	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	Percentage 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
Impendle	1 443	–	–	1 443	1 443	–	–	1 443	1 412	98%	1 255
Msunduzi	6 809	–	–	6 809	6 809	–	–	6 809	2 351	35%	4 032
Mkhambathi	1 253	–	–	1 253	1 253	–	–	1 253	1 085	87%	1 058
Richmond	1 277	–	–	1 277	1 277	–	–	1 277	744	58%	1 046
Umgungundlovu District Municipality	2 094	–	–	2 094	2 094	–	–	2 094	2 094	100%	2 499
Emnambithi/Ladysmith	–	–	–	–	–	–	–	–	–	–	4 513
Indaka	–	–	–	–	–	–	–	–	–	–	1 000
Umtshezi	–	–	–	–	–	–	–	–	–	–	1 050
Okhahlamba	2 934	–	–	2 934	2 934	–	–	2 934	2 635	90%	1 803
Inkosi Langalibalele (Umtshezi and Imbabazane)	2 328	–	–	2 328	2 328	–	–	2 328	1 440	62%	–
New Municipality (Emnambithi/ Ladysmith and Indaka)	4 906	–	–	4 906	4 906	–	–	4 906	3 153	64%	–
Imbabazane	–	–	–	–	–	–	–	–	–	–	1 409
Uthukela District Municipality	3 169	–	–	3 169	3 169	–	–	3 169	2 544	80%	2 384
Endumeni	1 127	–	–	1 127	1 127	–	–	1 127	801	71%	1 125
Nquthu	1 337	–	–	1 337	1 337	–	–	1 337	517	39%	1 529
Msinga	2 095	–	–	2 095	2 095	–	–	2 095	1 938	93%	2 422
Umvoti	2 373	–	–	2 373	2 373	–	–	2 373	1 704	72%	1 954
Umzinyathi District Municipality	2 350	–	–	2 350	2 350	–	–	2 350	1 672	71%	3 434
Newcastle	3 173	–	–	3 173	3 173	–	–	3 173	2 582	81%	3 286
Emadlangeni	1 284	–	–	1 284	1 284	–	–	1 284	737	57%	1 030

	Grant allocation				Transfer			Spent			2015/16
	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	Percentage 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
Dannhauser	1 119	–	–	1 119	1 119	–	–	1 119	566	51%	1 000
Amajuba District Municipality	1 497	–	–	1 497	1 497	–	–	1 497	1 034	69%	1 252
eDumbe	1 000	–	–	1 000	1 000	–	–	1 000	845	85%	1 055
uPhongolo	3 021	–	–	3 021	3 021	–	–	3 021	2 642	87%	4 449
Abaqulusi	1 398	–	–	1 398	1 398	–	–	1 398	872	62%	1 417
Nongoma	1 102	–	–	1 102	1 102	–	–	1 102	1 102	100%	1 624
Ulundi	1 000	–	–	1 000	1 000	–	–	1 000	1 000	100%	1 332
Zululand District Municipality	3 624	–	–	3 624	3 624	–	–	3 624	3 624	100%	3 800
Umhlabuyalingana	2 277	–	–	2 277	2 277	–	–	2 277	2 227	98%	1 294
Jozini	3 338	–	–	3 338	3 338	–	–	3 338	3 338	100%	1 899
The Big 5 False Bay	–	–	–	–	–	–	–	–	–	–	1 000
Hlabisa	–	–	–	–	–	–	–	–	–	–	1 000
Mtubatuba	1 408	–	–	1 408	1 408	–	–	1 408	1 386	98%	1 000
Big 5 Hlabisa (Hlabisa and The Big 5 False Bay)	3 545	–	–	3 545	3 545	–	–	3 545	1 925	54%	–
Umkhanyakude District Municipality	1 293	–	–	1 293	1 293	–	–	1 293	1 136	88%	1 308
Mfolozi	1 649	–	–	1 649	1 649	–	–	1 649	1 157	70%	1 000
New Municipality (uMhlathuze and W5 – 8 of Ntambanana)	5 061	–	–	5 061	5 061	–	–	5 061	2 703	53%	–
uMhlathuze	–	–	–	–	–	–	–	–	–	–	2 961
Ntambanana	–	–	–	–	–	–	–	–	–	–	1 463
uMlalazi	2 924	–	–	2 924	2 924	–	–	2 924	2 270	78%	3 037

	Grant allocation				Transfer			Spent			2015/16
	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	Percentage 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
Mthonjaneni (Mthonjaneni and W1 – 4 of Ntambanana)	2 161	–	–	2 161	2 161	–	–	2 161	1 213	56%	–
Mthonjaneni	–	–	–	–	–	–	–	–	–	–	2 264
Nkandla	2 149	–	–	2 149	2 149	–	–	2 149	1 567	73%	1 025
uThungulu District Municipality	5 466	–	–	5 466	5 466	–	–	5 466	3 560	65%	6 639
Mandeni	2 055	–	–	2 055	2 055	–	–	2 055	1 290	63%	1 755
KwaDukuza	1 285	–	–	1 285	1 285	–	–	1 285	1 285	100%	1 418
Ndwedwe	1 791	–	–	1 791	1 791	–	–	1 791	1 042	58%	1 158
Maphumulo	1 261	–	–	1 261	1 261	–	–	1 261	1 050	83%	1 003
iLembe District Municipality	1 850	–	–	1 850	1 850	–	–	1 850	423	23%	1 536
Ingwe	–	–	–	–	–	–	–	–	–	–	1 070
Kwa Sani	–	–	–	–	–	–	–	–	–	–	1 000
Greater Kokstad	1 619	–	–	1 619	1 619	–	–	1 619	1 195	74%	1 997
Ubuhlebezwe	1 985	–	–	1 985	1 985	–	–	1 985	1 498	75%	1 420
Umzimkhulu	1 299	–	–	1 299	1 299	–	–	1 299	1 298	100%	1 872
Nkosazana Dlamini-Zuma (Kwa Sani and Ingwe)	2 191	–	–	2 191	2 191	–	–	2 191	1 639	75%	–
Harry Gwala/Sisonke District Municipality	3 364	–	–	3 364	3 364	–	–	3 364	1 380	41%	3 466
Greater Giyani	1 158	–	–	1 158	1 158	–	–	1 158	912	79%	1 581
Greater Letaba	1 405	–	–	1 405	1 405	–	–	1 405	1 405	100%	1 489
Greater Tzaneen	1 949	–	–	1 949	1 949	–	–	1 949	1 842	95%	1 842
Ba-Phalaborwa	1 000	–	–	1 000	1 000	–	–	1 000	893	89%	1 188

	Grant allocation				Transfer			Spent			2015/16
	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	Percentage 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
Maruleng	1 000	–	–	1 000	1 000	–	–	1 000	386	39%	1 038
Mopani District Municipality	1 943	–	–	1 943	1 943	–	–	1 943	486	25%	1 630
Musina (Musina and parts of Mutale)	1 879	–	–	1 879	1 879	–	–	1 879	1 879	100%	–
Thulamela (Thulamela and parts of Mutale)	2 986	–	–	2 986	2 986	–	–	2 986	2 986	100%	–
Musina	–	–	–	–	–	–	–	–	–	–	1 112
Mutale	–	–	–	–	–	–	–	–	–	–	1 131
Thulamela	–	–	–	–	–	–	–	–	–	–	2 302
Makhado	1 281	–	–	1 281	1 281	–	–	1 281	1 281	100%	1 335
Vhembe District Municipality	3 462	–	–	3 462	3 462	–	–	3 462	2 437	70%	4 344
Blouberg (Blouberg and parts of Aganang)	1 808	–	–	1 808	1 808	–	–	1 808	1 808	100%	–
Molemole (Molemole and parts of Aganang)	1 382	–	–	1 382	1 382	–	–	1 382	950	69%	–
Polokwane (Polokwane and parts of Aganang)	5 975	–	–	5 975	5 975	–	–	5 975	4 493	75%	–
Blouberg	–	–	–	–	–	–	–	–	–	–	1 613
Aganang	–	–	–	–	–	–	–	–	–	–	1 357
Molemole	–	–	–	–	–	–	–	–	–	–	1 000
City of Polokwane	–	–	–	–	–	–	–	–	–	–	4 516
Lepele-Nkumpi	1 295	–	–	1 295	1 295	–	–	1 295	1 095	85%	1 525
Capricorn District Municipality	2 922	–	–	2 922	2 922	–	–	2 922	2 104	72%	1 921
Thabazimbi	2 070	–	–	2 070	2 070	–	–	2 070	1 699	82%	2 735

	Grant allocation				Transfer			Spent			2015/16
	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	Percentage 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
Lephalale	1 215	–	–	1 215	1 215	–	–	1 215	780	64%	1 187
Mookgopong	–	–	–	–	–	–	–	–	–	–	1 097
Modimolle	–	–	–	–	–	–	–	–	–	–	1 598
Bela-Bela	1 082	–	–	1 082	1 082	–	–	1 082	899	83%	1 083
Mogalakwena	2 073	–	–	2 073	2 073	–	–	2 073	1 139	55%	2 150
Modimolle (Modimolle and Mookgopong)	2 302	–	–	2 302	2 302	–	–	2 302	2 302	100%	–
Waterberg District Municipality	1 102	–	–	1 102	1 102	–	–	1 102	14	1%	1 000
Ephraim Mogale	1 258	–	–	1 258	1 258	–	–	1 258	635	50%	1 157
Elias Motsoaledi	1 095	–	–	1 095	1 095	–	–	1 095	407	37%	1 163
Makhuduthamaga	1 505	–	–	1 505	1 505	–	–	1 505	1 396	93%	1 069
New municipality (Fetakgomo and Greater Tubatse)	2 121	–	–	2 121	2 121	–	–	2 121	2 121	100%	–
Fetakgomo	–	–	–	–	–	–	–	–	–	–	1 000
Greater Tubatse	–	–	–	–	–	–	–	–	–	–	1 229
Sekhukhune District Municipality	1 539	–	–	1 539	1 539	–	–	1 539	984	64%	1 939
Albert Luthuli	3 304	–	–	3 304	3 304	–	–	3 304	2 845	86%	2 059
Msukaligwa	1 376	–	–	1 376	1 376	–	–	1 376	390	28%	1 238
Mkhondo	2 452	–	–	2 452	2 452	–	–	2 452	2 260	92%	2 348
Pixley Ka Seme	1 702	–	–	1 702	1 702	–	–	1 702	1 702	100%	2 642
Lekwa	1 012	–	–	1 012	1 012	–	–	1 012	253	25%	1 173
Dipaleseng	1 510	–	–	1 510	1 510	–	–	1 510	1 109	73%	1 439
Govan Mbeki	2 568	–	–	2 568	2 568	–	–	2 568	2 265	88%	2 145

	Grant allocation				Transfer			Spent			2015/16
	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	Percentage 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
Gert Sibande District Municipality	3 113	–	–	3 113	3 113	–	–	3 113	3 113	100%	2 676
Victor Khanye	2 040	–	–	2 040	2 040	–	–	2 040	2 040	100%	2 103
Emalahleni (Mpumalanga)	2 891	–	–	2 891	2 891	–	–	2 891	699	24%	1 378
Steve Tshwete	2 103	–	–	2 103	2 103	–	–	2 103	1 585	75%	1 583
Emakhazeni	1 217	–	–	1 217	1 217	–	–	1 217	1 012	83%	1 089
Thembisile Hani	2 244	–	–	2 244	2 244	–	–	2 244	1 665	74%	3 117
Dr JS Moroka	4 257	–	–	4 257	4 257	–	–	4 257	2 349	55%	3 257
Nkangala District Municipality	2 318	–	–	2 318	2 318	–	–	2 318	733	32%	2 280
Thaba Chweu	1 683	–	–	1 83	1 683	–	–	1 683	943	56%	1 340
Mbombela	–	–	–	–	–	–	–	–	–	–	6 899
Umjindi	–	–	–	–	–	–	–	–	–	–	1 435
Nkomazi	5 917	–	–	5 917	5 917	–	–	5 917	5 111	86%	4 762
Bushbuckridge	3 780	–	–	3 780	3 780	–	–	3 780	336	9%	2 551
City of Mbombela (Mbombela and Umjindi)	5 686	–	–	5 686	5 686	–	–	5 686	5 681	100%	–
Ehlanzeni District Municipality	2 274	–	–	2 274	2 274	–	–	2 274	2 274	100%	1 908
Richtersveld	1 000	–	–	1 000	1 000	–	–	1 000	573	57%	1 000
Nama Khoi	1 000	–	–	1 000	1 000	–	–	1 000	748	75%	1 000
Kamiesberg	1 000	–	–	1 000	1 000	–	–	1 000	613	61%	–
Hantam	1 127	–	–	1 127	1 127	–	–	1 127	1 041	92%	1 153
Karoo Hoogland	1 000	–	–	1 000	1 ,000	–	–	1 000	956	96%	1 000
Khâi-Ma	1 000	–	–	1 000	1 000	–	–	1 000	1 087	109%	–

	Grant allocation				Transfer			Spent			2015/16
	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	Percentage 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
Namakwa District Municipality	1 000	–	–	1 000	1 000	–	–	1 000	98	10%	1 000
Ubuntu	1 000	–	–	1 000	1 000	–	–	1 000	419	42%	1 000
Umsobomvu	1 000	–	–	1 000	1 000	–	–	1 000	720	72%	1 000
Emthanjeni	1 000	–	–	1 000	1 000	–	–	1 000	296	30%	1 000
Kareeberg	1 000	–	–	1 000	1 000	–	–	1 000	688	69%	1 000
Renosterberg	1 000	–	–	1 000	1 000	–	–	1 000	689	69%	1 000
Thembelihle	1 000	–	–	1 000	1 000	–	–	1 000	950	95%	1 000
Siyathemba	1 000	–	–	1 000	1 000	–	–	1 000	838	84%	1,000
Siyancuma	1 000	–	–	1 000	1 000	–	–	1 000	704	70%	1 000
Pixley Ka Seme District Municipality	1 000	–	–	1 000	1 000	–	–	1 000	1 000	100%	1 000
Mier	–	–	–	–	–	–	–	–	–	–	1 000
Kai !Garib	1 000	–	–	1 000	1 000	–	–	1 000	917	92%	1 189
//Khara Hais	–	–	–	–	–	–	–	–	–	–	1 000
!Kheis	1 000	–	–	1 000	1 000	–	–	1 000	552	55%	1 000
Tsantsabane	1 000	–	–	1 000	1 000	–	–	1 000	852	85%	1 000
Kgatelopele	1 000	–	–	1 000	1 000	–	–	1 000	635	64%	1 000
New Municipality (Mier and //Khara Hais)	2 000	–	–	2 000	2 000	–	–	2 000	763	38%	–
ZF Mgcawu/Siyanda District Municipality	1 000	–	–	1 000	1 000	–	–	1 000	395	40%	1 000
Sol Plaatjie	5 574	–	–	5 574	5 574	–	–	5 574	5 574	100%	4 984
Dikgatlong	1 000	–	–	1 000	1 000	–	–	1 000	999	100%	1 090

	Grant allocation				Transfer			Spent			2015/16
	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	Percentage 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
Magareng	1 000	–	–	1 000	1 000	–	–	1 000	–	0%	1 138
Phokwane	1 037	–	–	1 037	1 037	–	–	1 037	623	60%	1 170
Frances Baard District Municipality	1 000	–	–	1 000	1 000	–	–	1 000	639	64%	1 000
Joe Morolong	1 050	–	–	1 050	1 050	–	–	1 050	667	64%	2 336
Ga-Segonyana	1 000	–	–	1 000	1 000	–	–	1 000	453	45%	1 050
Gamagara	1 000	–	–	1 000	1 000	–	–	1 000	76	8%	1 000
John Taolo Gaetsewe District Municipality	1 000	–	–	1 000	1 000	–	–	1 000	855	86%	1 000
Moretele	4 228	–	–	4 228	4 228	–	–	4 228	1 970	47%	3 353
Madibeng	1 545	–	–	1 545	1 545	–	–	1 545	1 516	98%	2 020
Rustenburg	4 219	–	–	4 219	4 219	–	–	4 219	3 640	86%	3 384
Kgetlengrivier	1 737	–	–	1 737	1 737	–	–	1 737	1 652	95%	1 878
Moses Kotane	2 735	–	–	2 735	2 735	–	–	2 735	951	35%	1 446
Bojanala Platinum District Municipality	1 557	–	–	1 557	1 557	–	–	1 557	1 337	86%	1 041
Ratlou	1 433	–	–	1 433	1 433	–	–	1 433	1 433	100%	1 085
Tswaing	1 330	–	–	1 330	1 330	–	–	1 330	743	56%	1 067
Mafikeng	3 672	–	–	3 672	3 672	–	–	3 672	3 672	100%	2 646
Ditsobotla	1 038	–	–	1 038	1 038	–	–	1 038	749	72%	1 025
Ramotshere Moiloa	1 104	–	–	1 104	1 104	–	–	1 104	1 104	100%	1 286
Ngaka Modiri Molema District Municipality	1 601	–	–	1 601	1 601	–	–	1 601	905	57%	1 989
Naledi (North West)	1 884	–	–	1 884	1 884	–	–	1 884	1 455	77%	1 876

	Grant allocation				Transfer			Spent			2015/16
	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	Percentage 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
Mamusa	1 078	–	–	1 078	1 078	–	–	1 078	1 003	93%	1 169
Greater Taung	1 352	–	–	1 352	1 352	–	–	1 352	1 351	100%	1 425
Lekwa-Teemane	1 000	–	–	1 000	1 000	–	–	1 000	1 000	100%	1 072
NW397	–	–	–	–	–	–	–	–	–	–	–
Kagisano/Molopo	1 025	–	–	1 025	1 025	–	–	1 025	1 025	100%	1 014
Dr Ruth Segomotsi Mompati District Municipality	2 273	–	–	2 273	2 273	–	–	2 273	2 047	90%	2 262
Ventersdorp	–	–	–	–	–	–	–	–	–	–	1 792
Tlokwe	–	–	–	–	–	–	–	–	–	–	1 284
City of Matlosana	1 656	–	–	1 656	1 656	–	–	1 656	1 644	99%	3 028
Maquassi Hills	1 083	–	–	1 083	1 083	–	–	1 083	1 036	96%	1 000
New Municipality (Venterdorp and Tlokwe)	3 421	–	–	3 421	3 421	–	–	3 421	3 128	91%	–
Dr Kenneth Kaunda District Municipality	1 479	–	–	1 479	1 479	–	–	1 479	858	58%	1 925
City of Cape Town	31 740	–	–	31 740	31 740	–	–	31 740	24 775	78%	23 616
Matzikama	1 119	–	–	1 119	1 119	–	–	1 119	1 119	100%	1 000
Cederberg	1 000	–	–	1 000	1 000	–	–	1 000	1 000	100%	1 007
Bergrivier	1 141	–	–	1 141	1 141	–	–	1 141	978	86%	1 070
Saldanha Bay	1 071	–	–	1 071	1 071	–	–	1 071	942	88%	1 000
Swartland	1 460	–	–	1 460	1 460	–	–	1 460	1 447	99%	1 185
West Coast District Municipality	1 036	–	–	1 036	1 ,036	–	–	1 036	856	83%	1 000
Witzenberg	1 336	–	–	1 336	1 336	–	–	1 336	1 336	100%	1 041

	Grant allocation				Transfer			Spent			2015/16
	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	Percentage 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
Drakenstein	1 352	–	–	1 352	1 352	–	–	1 352	1 290	95%	1 112
Stellenbosch	1 758	–	–	1 758	1 758	–	–	1 758	1 287	73%	1 075
Breede Valley	1 291	–	–	1 291	1 291	–	–	1 291	1 193	92%	1 000
Langeberg	1 759	–	–	1 759	1 759	–	–	1 759	756	43%	1 494
Cape Winelands District Municipality	1 000	–	–	1 000	1 000	–	–	1 000	851	85%	1 000
Theewaterskloof	1 104	–	–	1 104	1 104	–	–	1 104	510	46%	1 086
Overstrand	1 922	–	–	1 922	1 922	–	–	1 922	1 210	63%	1 661
Cape Agulhas	1 210	–	–	1 210	1 210	–	–	1 210	825	68%	1 000
Swellendam	1 177	–	–	1 177	1 177	–	–	1 177	837	71%	1 215
Overberg District Municipality	1 000	–	–	1 000	1 000	–	–	1 000	782	78%	1 000
Kannaland	1 000	–	–	1 000	1 000	–	–	1 000	799	80%	1 000
Hessequa	1 088	–	–	1 088	1 088	–	–	1 088	132	12%	1 000
Mossel Bay	1 839	–	–	1 839	1 839	–	–	1 839	762	41%	1 499
George	4 014	–	–	4 014	4 014	–	–	4 014	3 212	80%	1 864
Oudtshoorn	2 448	–	–	2 448	2 448	–	–	2 448	1 695	69%	1 405
Bitou	1 869	–	–	1 869	1 869	–	–	1 869	1 869	100%	1 052
Knysna	1 292	–	–	1 292	1 292	–	–	1 292	1 025	79%	1 002
Eden District Municipality	1 000	–	–	1 000	1 000	–	–	1 000	691	69%	1 005
Laingsburg	1 000	–	–	1 000	1 000	–	–	1 000	675	68%	1 000
Prince Albert	1 000	–	–	1 000	1 000	–	–	1 000	626	63%	1 000
Beaufort West	1 617	–	–	1 617	1 617	–	–	1 617	1 355	84%	1 743
Central Karoo District Municipality	1 000	–	–	1 000	1 000	–	–	1 000	852	85%	1 038
Total	**663 991**	**–**	**–**	**663 991**	**663 991**	**–**	**–**	**663 991**	**512 650**		**587 685**

ANNEXURE 1B

STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

Department, agency or account	Transfer allocation				Transfer		2015/16
	Adjusted Appropriation	Roll-overs	Adjustments	Total available	Actual transfer	Percentage of available funds transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Construction Industry Development Board	52 059	–	–	52 059	52 059	100%	65 626
Council for the Built Environment	43 413	–	–	43 413	43 413	100%	41 994
Property Management Trading Entity	3 389 448	–	–	3 389 448	3 389 448	100%	3 524 652
Construction SETA	500	–	–	500	469	94%	475
Parliamentary Village Management Board	9 572	–	–	9 572	9 572	100%	9 090
Agrément SA	12 383	–	–	12 383	12 383	100%	11 682
Total	**3 507 375**	**–**	**–**	**3 507 375**	**3 507 344**		**3 653 519**

ANNEXURE 1C

STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES

Name of public corporation or private enterprise	Transfer allocation				Expenditure				2015/16
	Adjusted Appropriation Act	Roll-overs	Adjustments	Total available	Actual transfer	Percentage 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
Independent Development Trust	–	–	–	–	–	–	–	–	50 000
Total	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**50 000**

ANNEXURE 1D

STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS

Foreign government or international organisation	Transfer allocation				Expenditure		2015/16
	Adjusted Appropriation Act	Roll-overs	Adjustments	Total available	Actual transfer	Percentage of available funds transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
Commonwealth War Graves Commission	28 234	–	–	28 234	28 234	100%	23 273
Total	**28 234**	**–**	**–**	**28 234**	**28 234**		**23 273**

ANNEXURE 1E

STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS

Non-profit institutions	Transfer allocation				Expenditure		2015/16
	Adjusted Appropriation Act	Roll-overs	Adjustments	Total available	Actual transfer	Percentage of available funds transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
Non-state sector	600 257	–	–	600 257	600 257	100%	534 816
SACLAP	170	–	–	170	170	100%	331
Total	**600 427**	**–**	**–**	**600 427**	**600 427**		**535 147**

ANNEXURE 1F

STATEMENT OF TRANSFERS TO HOUSEHOLDS

Households	Transfer allocation				Expenditure		2015/16
	Adjusted Appropriation Act	Roll-overs	Adjustments	Total available	Actual transfer	Percentage of available funds transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
Households	8 504	–	1 706	10 210	9 579	95%	10 467
Total	**8 504**	**–**	**1 564**	**10 068**	**9 579**		**10 467**

ANNEXURE 2A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2017 – LOCAL

Guarantor iinstitution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2016	Guarantees draw-downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2017	Guaranteed interest for year ended 31 March 2017	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
	Housing								
OldMutual (Nedbank/Perm)		13	13	–	–	–	13	–	–
	Total	**13**	**13**	**–**	**–**	**–**	**13**	**–**	**–**

ANNEXURE 2B

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2017

Nature of liability	Opening balance 1 April 2016	Liabilities incurred during the year	Liabilities paid/ cancelled/ reduced during the year	Liabilities recoverable	Closing balance 31 March 2017
	R'000	R'000	R'000	R'000	R'000
Claims against the Department					
Services rendered	10	864	–	–	874
Labour relation matters	–	–	–	–	–
Total	**10**	**864**	**–**	**–**	**874**

ANNEXURE 3

CLAIMS RECOVERABLE

Guarantor institution	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash in transit at year-end 2016/17*	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016	Receipt date up to six working days after year-end	Amount
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Department								
Arts and Culture	–	–	–	85	–	85	–	–
Basic Education	–	–	51 802	40 054	51 802	40 054	–	–
Defence	–	–	88	–	88	–	–	–
Provincial departments	83	–	42	81	125	81	–	–
Women and Children	–	–	2	–	2	–	–	–
Water Affairs	–	–	1	–	1	–	–	–
	83	**–**	**51 935**	**40 220**	**52 018**	**40 220**	**–**	**–**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Guarantor institution	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash in transit at year-end 2016/17*	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016	Receipt date up to six working days after year-end	Amount
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Other government entities								
Public Works (PMTE)	550 311	263 668	13 265	184 211	563 576	447 879	Departmental claims	527 268
SETA	–	–	5 487	3 609	5 487	3 609	–	–
CETA	–	–	8 879	6 104	8 879	6 104	–	–
	550 311	**263 668**	**27 631**	**193 924**	**577 942**	**457 592**	**–**	**527 268**
Total	**563 659**	**263 668**	**79 566**	**234 144**	**629 960**	**497 812**	**–**	**–**

ANNEXURE 4

INTERGOVERNMENT PAYABLES

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash in transit at year-end 2015/16*	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016	Payment date up to six working days before year-end	Amount
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Departments								
Current								
Justice and Constitutional Development	1 388	2 682	–	–	1 388	2 682	–	–
Department of Public Works (Free State)	–	–	1	–	1	–	–	–
Statistic South Africa	–	4	–	–	–	4	–	–
Government Employees Pension Fund	22	–	–	–	22	–	–	–
South African Police Services	86	–	545	–	632	–	–	–
Subtotal	**1 496**	**2 686**	**546**	**–**	**2 042**	**2 686**	**–**	**–**
Non-current								
Department of Labour	41	41	–	–	41	41	–	–
Department of Agriculture	–	–	761	–	761	–	–	–
Department of Public Works (Western Cape)	–	–	–	1	–	1	–	–
Department of Government Communications	–	121	–	–	–	121	–	–
Department of International Relations and Coordination	–	–	725	6 426	725	6 426	–	–
Department of Social Development: KwaZulu-Natal	–	–	1	1	1	1	–	–
Subtotal	**–**	**162**	**1 487**	**6 428**	**1 528**	**6 590**	**–**	**–**
Total	**1 537**	**2 848**	**2 033**	**6 428**	**3 570**	**9 276**	**–**	**–**

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash in transit at year-end 2015/16*	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016	Payment date up to six working days before year-end	Amount
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Current								
Property Management Trading Entity (PMTE)	1,493	233	–	–	1 493	233	–	–
IDT	–	146	–	–	–	146	–	–
CBE	–	86	–	–	–	86	–	–
AGSA	1 526	1 276	–	–	1 526	1 276	–	–
Telkom	427	577	–	–	427	577	–	–
CATHSETA	9 658	–	–	–	9 658	–	–	–
AGRISETA	4 194	240	–	–	4 194	240	–	–
MERSETA	–	452	–	–	–	452	–	–
CBE	47	–	–	–	47	–	–	–
Post Office South Africa	2	–	–	–	2	–	–	–
SARS	77	–	–	–	77	–	–	–
Subtotal	**17 612**	**3 010**	**–**	**–**	**17 612**	**3 010**	**–**	**–**
Total intergovermental payables	**19 149**	**5 858**	**2 033**	**6 428**	**21 182**	**12 286**	**–**	**–**

ANNEXURE 6A

INTER-ENTITY ADVANCES PAID (note 11)

Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	R'000	R'000	R'000	R'000	R'000	R'000
National departments						
DIRCO	–	12	–	–	–	12
Subtotal	–	12	–	–	–	12
Public entities						
IDT	5 606	4 749	–	–	5 606	4 749
GCIS	1 126	268	–	–	1 126	268
Subtotal	**6 732**	**5 017**	**–**	**–**	**6 732**	**5 017**
Other entities						
Municipalities	1	1	–	–	1	1
ILO	539	–	–	–	539	–
Subtotal	**540**	**1**	**–**	**–**	**540**	**1**
Total	**7 272**	**5 030**	**–**	**–**	**7 272**	**5 030**

ANNEXURE 6B

INTER-ENTITY ADVANCES RECEIVED (note 16)

Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31 March 2016	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	R'000	R'000	R'000	R'000	R'000	R'000
National departments						
Current						
Higher Education and Training	22 188	79 147	–	–	22 188	79 147
Subtotal	**22 188**	**79 147**	**–**	**–**	**22 188**	**79 147**
Provincial departments						
Current						
Eastern Cape Department of Roads and Public Works	20	246	–	–	20	246
Subtotal	**20**	**246**	**–**	**–**	**20**	**246**
Total	**22 208**	**79 93**	**–**	**–**	**22 208**	**79 393**

Contents

The annual financial statements set out on pages 234 to 297,which have been prepared on the going-concern basis, were approved by the accounting officer on 22 September 2017.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE PROPERTY MANAGEMENT TRADING ENTITY

Report on the audit of the financial statements

Adverse opinion

1. I have audited the financial statements of the PMTE set out on pages 234 to 297, which comprise the Statement of Financial Position as at 31 March 2017, the Statement of Financial Performance Statement of Changes in Net Assets, Cash Flow Statement and the Statement of Comparison of Budget Information with actual information for the year then ended, as well as the Notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, because of the significance of the matters described in the basis for adverse opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the PMTE as at 31 March 2017, its financial performance and its cash flows for the year then ended in accordance with Standards of GRAP and the requirements of the PFMA.

Basis for adverse opinion

Property, plant and equipment

3. The trading entity did not correctly measure deemed costs for property, plant and equipment recognised in accordance with GRAP 17: Property, Plant and Equipment, read in conjunction with GRAP Directive 7: The application of deemed cost. The entity incorrectly utilised the source data in determining the deemed costs of the properties being measured. The entity also incorrectly recognised expenditure as additions to property, plant and equipment. Furthermore, the useful lives utilised in calculating depreciation were not reflective of the actual condition of the assets being depreciated. Consequently, there was an impact on the following items in the financial statements:
   - Property, plant and equipment was overstated by R26 361 644 474 (2016: R23 331 552 021).
   - Depreciation, amortisation and impairments on assets was understated by R2 406 789 457.
   - Loss on disposal/transfer of assets was understated by R263 663 433.
   - Property maintenance (contracted services) expenditure was understated by R359 639 563.
   - Additionally, there was a resultant impact on the surplus for the period and on the accumulated surplus.

Payables from exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence regarding the 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. I was unable to confirm these amounts by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the following items in the financial statements:
   - Accrued expenses – assets of R390 392 000 (2016: R252 819 000) included in payables from exchange transactions stated at R3 363 472 000 (2016: 2 827 220 000) in note 12.
   - Accrued expenses – schedule maintenance of R227 035 000 (2016: R109 704 000) included in payables from exchange transactions stated at R3 363 472 000 (2016: 2 827 220 000) in note 12.

Receivables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence regarding the outstanding amounts meeting the definition of revenue accrual in accordance with GRAP 1: Presentation of Financial Statements, due to the relationship between accrued expenses and revenue accrual. The outstanding amounts for the goods and services received, for which I was unable to obtain sufficient appropriate audit evidence, were recoverable from client departments. I was unable to confirm these amounts by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to revenue accrual of R1 986 446 000 (2016: R1 539 672 000) included in receivables from exchange transactions stated at R4 859 391 000 (2016: R3 784 046 000) in note 3 to the financial statements.

Provisions

6. I was unable to obtain sufficient appropriate audit evidence that the unscheduled maintenance provision for the year under review had been properly accounted for, due to the status of the accounting records. I was unable to confirm the unscheduled maintenance provision by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the unscheduled maintenance provision of R511 407 000 included in provisions and stated at R1 454 269 000 in note 16 to the financial statements.

7. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of my report.
8. I am independent of the trading entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.
9. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Emphasis of matters

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

Going concern

11. Note 1.25 to the financial statements indicates that, as of 31 March 2017, the PMTE had a bank overdraft of R1.9 billion (2016: R1.5 billion). Current liabilities exceeded current assets by R8.8 billion (2016: R8.2 billion).

Material impairments

12. As disclosed in note 22 to the financial statements, material impairments to the amount of R303 576 000 were provided for as a result of irrecoverable receivables from exchange transactions.

Restatement of corresponding figures

13. As disclosed in note 37 and note 38 to the financial statements, the corresponding figures for 31 March 2016 were restated. This was as a result of errors discovered during 2017 in the financial statements of the PMTE at and for the year ended 31 March 2016, as well as adjustments made to provisional amounts resulting from the transfer of functions.

Transfer of functions

14. The 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 1.28 and note 38 to the financial statements.

Responsibilities of the Accounting Officer for the financial statements

15. The Accounting Officer is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of GRAP and the requirements of the 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.
16. In preparing the financial statements, the Accounting Officer is responsible for assessing the PMTE's ability to continue as a going concern, disclosing, as applicable, matters relating to a going concern and using the going-concern basis of accounting, unless there is an intention either to liquidate the trading entity or to cease operations, or there is no realistic alternative but to do so.

Auditor-General's responsibilities for the audit of the financial statements

17. My objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
18. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

19. 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 material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
20. My procedures address the reported performance information, which must be based on the approved performance planning documents of the trading entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
21. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the trading entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 3 – Construction Project Management	67–68
Programme 4 – Real Estate Management Services	68–69
Programme 5 – Real Estate Information and Registry Services	70
Programme 6 – Facilities Management	70–71

22. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
23. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

Programme 3 – Construction Project Management

24. **Number of approved infrastructure project designs**

    I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target of 300 approved infrastructure designs. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 210 approved infrastructure project designs.
25. **Number of approved infrastructure projects ready for tender**

    I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target of 406 approved infrastructure projects ready for tender. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 144 approved infrastructure projects ready for tender.

26. **Number of infrastructure sites handed over for construction**

I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target of 216 infrastructure sites handed over for construction. This was due to imitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 186 infrastructure sites handed over for construction.

27. **Percentage of infrastructure projects completed within agreed construction period**

I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target of 60% of infrastructure projects completed within the agreed construction period. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 57% of infrastructure projects completed within the agreed construction period.

28. **Percentage of infrastructure projects completed within budget**

I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target of 60% of infrastructure projects completed within budget. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 53% of infrastructure projects completed within budget.

29. **Number of EPWP work opportunities created through construction projects**

I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target of 16 500 work opportunities created through construction projects. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 8 959 work opportunities created through construction projects.

Programme 4 – Real Estate Management Services

30. **Percentage of approved list of immovable assets let out for revenue generation**

The reported achievement of the target of 50% of the approved list of immovable assets let out for revenue generation was misstated as the evidence provided indicated 31% and not 50% of the approved list of immovable assets let out for revenue generation as reported.

31. **Percentage of DAFF-certified Operation Phakisa Ocean Economy leasing requests processed within agreed timeframes**

The reasons for variances between the planned targets were not reported in the annual performance report, as required by the Annual Report Guide for National and Provincial Departments.

Programme 5 – Real Estate Information and Registry Services

32. **Percentage of immovable assets updated on the immovable assets register for completed infrastructure projects**

The reported achievement for the target of 100% of immovable assets updated on the IAR for completed infrastructure projects was misstated as the evidence provided indicated 70% and not 100% of immovable assets updated on the IAR for completed infrastructure projects as reported.

Programme 6 – Facilities Management

33. **Percentage of unscheduled reported maintenance incidents resolved within prescribed timeframes**

I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target of 70% of unscheduled reported maintenance incidents resolved within the prescribed timeframes. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 8% of unscheduled reported maintenance incidents resolved within the prescribed timeframes.

34. **Reduction in energy consumption (kilowatt hours) in identified property portfolio**

I was unable to obtain sufficient appropriate audit evidence for the reported achievement of a target of a 250 000 000 kWh reduction in energy consumption. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of a 274 316 368kWh reduction in energy consumption.

35. **Reduction in water consumption (kilolitres) in identified property portfolio**

The reported achievement for target 4, namely a 100 000 kl reduction in water consumption for the identified property portfolio was misstated as the evidence provided indicated a 3 347 496 kl and not a 4 459 707 kl reduction in water consumption (kilolitres) in the identified property portfolio as reported.

36. **Various indicators**

The reasons for variances between the planned targets were not reported in the annual performance report, as required by the Annual Report Guide for National and Provincial Departments for the following indicators:

- Number of buildings with scheduled maintenance contracts in place.
- Number of work opportunities created through maintenance projects.
- Reduction in energy consumption (kilowatt hours) in identified property portfolio.
- Reduction in water consumption (kilolitres) in identified property portfolio.
- Number of kilowatt hours of renewable energy generated.

Other matters

37. I draw attention to the matters below.

Achievement of planned targets

38. Refer to the annual performance report on pages 67 to 71 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets.

Adjustment of material misstatements

39. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Programme 4 – Real Estate Management Services. As management subsequently corrected only some of the misstatements, I reported material findings on the usefulness and reliability of the reported performance information.

Report on audit of compliance with legislation

Introduction and scope

40. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the trading entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

41. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements

42. Financial statements were not submitted for auditing within two months after the end of the financial year, as required by section 40(1)(c)(i) of the PFMA.

43. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework in certain instances, and were not supported by full and proper records as required by section 40(1)(a) and (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected, which resulted in the financial statements receiving an adverse audit opinion.

Procurement and contract management

44. Contracts were extended or modified in certain instances without the approval of a properly delegated official as required by Treasury Regulation 8.1 and 8.2 or section 44 of the PFMA.
45. Measures for combating the abuse of the SCM system were not implemented in certain instances as required by Treasury Regulations 16A9.1 in that awards were made to providers who committed a corrupt or fraudulent act in competing for the contract.

Consequence management

46. Disciplinary hearings were not held in certain instances for confirmed cases of financial misconduct committed by officials, as required by Treasury Regulation 4.1.1.

Expenditure management

47. Effective steps were not taken to prevent irregular expenditure, as required by section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1.
48. Money owed by the trading entity was not settled within 30 days, as required by section 38(1)(f) of the PFMA and Treasury Regulation 8.2.3.
49. Payments were made in advance of the receipt of goods or services in certain instances, in contravention of Treasury Regulation 15.10.1.2.

Revenue management

50. 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).

Other information

51. The PMTE's Accounting Officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
52. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
53. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report or my knowledge obtained in the audit, or that otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

54. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation. However, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for an adverse opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

55. Leadership did not in all instances exercise effective oversight of the effective implementation of audit action plans resulting in a regression in audit outcome.
56. Leadership did not institute effective measures to ensure that the issue of incorrect payments being made to suppliers in respect of private leases was adequately resolved.

Financial and performance management

57. 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 financial and performance reporting.
58. Regular, accurate and complete financial and performance reports, supported by reliable information, were not prepared throughout the financial year.
59. The review and monitoring of compliance with applicable laws and regulations were ineffective in certain instances.

Governance

60. 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

61. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the trading entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

62. Numerous allegations, mainly relating to alleged 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

Auditor-General

Pretoria
22 September 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the trading entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also do the following:
   - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
   - Obtain an understanding of internal control relevant to the audit 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 trading entity's internal control.
   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accounting Officer.
   - Conclude on the appropriateness of the Accounting Officer's use of the going-concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PMTE's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a trading entity to cease to continue as a going concern.
   - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the Accounting Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the Accounting Officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note	2016/17 R'000	2015/16* R'000
ASSETS			
Current assets			
Receivables from exchange transactions	3	4 859 391	3 784 046
Receivables from non-exchange transactions	4	66	1 596
Operating lease asset	5	713 292	899 747
Cash and cash equivalents	6	2 934	3 982
		5 575 683	**4 689 371**
Non-current assets			
Property, plant and equipment	7	132 828 415	131 073 890
Investment property	8	5 540 246	5 683 366
Heritage assets	9	646 923	646 923
Intangible assets	10	20 890	11 649
		139 036 474	**137 415 828**
Total assets		**144 612 157**	**142 105 199**
LIABILITIES			
Current liabilities			
Operating lease liability	5	702 134	855 195
Bank overdraft	6	1 932 441	1 468 852
Deferred revenue	11	6 418 437	6 227 596
Payables from exchange transactions	12	3 363 472	2 827 220
Retention liabilities	13	283 817	278 255
Finance lease obligation	14	8 455	11 174
Employee benefit obligation	15	188 762	168 524
Provisions	16	1 454 269	1 013 306
		14 351 787	**12 850 122**
Non-current liabilities			
Retention liabilities	13	38 210	21 381
Finance lease obligation	14	8 284	433
		46 494	**21 814**
Total liabilities		**14 398 281**	**12 871 936**
NET ASSETS		**130 213 876**	**129 233 263**
Accumulated surplus		130 213 876	129 233 263

* Restated – see note 37 and note 38

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2016/17 R'000	2015/16* R'000
Revenue			
Revenue from exchange transactions	17	10 723 790	10 979 654
Revenue from non-exchange transactions	18	4 502 349	4 007 578
Construction revenue	19	254 527	256 288
Total revenue		**15 480 666**	**15 243 520**
Expenditure			
Construction expenses	19	254 527	256 288
Depreciation, amortisation and impairments on assets	20	2 759 619	2 604 388
Employee related costs	21	1 500 867	1 310 136
Impairment loss on receivables	22	303 576	472 356
Interest expense	23	88 088	245 407
Loss on disposal/transfer of assets	24	356 928	5 186
Operating leases	25	4 181 195	4 078 024
Property maintenance (contracted services)	26	2 855 115	2 982 061
Property rates		1 038 319	1 125 442
Sundry operating expenses	27	1 161 819	1 761 357
Total expenditure		**14 500 053**	**14 840 645**
Surplus for the year		**980 613**	**402 875**

* Restated – see note 37 and note 38

STATEMENT OF CHANGES IN NET ASSETS

	Note	Accumulated surplus R'000	Total net assets R'000
Opening balance as previously reported as at 1 April 2015		105 458 056	105 458 056
Adjustments			
Correction of prior period errors	37	(15 477)	(15 477)
Adjustments to net gain from transfer of functions effective 18 November 2013	38	13 868 215	13 868 215
Adjustments to net gain from transfer of functions effective 30 March 2015	38	(11 874)	(11 874)
Adjustments to surplus due to changes to provisional amounts for transfer of functions	38	9 531 467	9 531 467
Balance at 1 April 2015 as restated*		**128 830 387**	**128 830 387**
Changes in net assets			
Surplus for the year		402 875	402 875
Adjustments to surplus due to changes to provisional amounts for transfer of functions		(24 698 278)	(24 698 278)
Total changes		(24 295 403)	(24 295 403)
Balance as previously reported as at 31 March 2016		104 534 984	104 534 984
Adjustments			
Correction of prior perid errors and adjustments due to transfers of functions		25 635 903	25 635 903
Correction of prior period errors	37	(925 750)	(925 750)
Adjustments to net gain from transfer of functions effective 30 March 2015	38	(11 874)	(11 874)
Balance at 1 April 2016 as restated*		**129 233 263**	**129 233 263**
Changes in net assets			
Surplus for the year		980 613	980 613
Balance at 31 March 2017		**130 213 876**	**130 213 876**

* Restated – see note 37 and note 38

CASH FLOW STATEMENT

	Note	2016/17 R'000	2015/16* R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Accommodation charges – leasehold intergovernmental		4 227 723	3 665 574
Accommodation charges – freehold intergovernmental		6 450 983	6 386 569
Accommodation charges – private		42 027	17 246
Augmentation		3 389 448	3 524 652
Management fee on municipal services		184 783	169 504
Municipal services recovered		3 350 131	3 390 085
Interest, fines, recoveries and other receipts		8 594	88 072
Construction revenue		259 067	244 945
		17 912 756	17 486 647
Payments			
Cleaning and gardening		252 895	211 672
Admin, goods and services		642 267	607 878
Planned maintenance		884 767	1 054 100
Unplanned maintenance		1 309 282	1 732 331
Municipal services paid		4 164 585	3 731 908
Operating leases		4 266 679	4 078 738
Property rates		1 227 927	1 259 470
Compensation of employees		1 366 306	1 140 657
Municipal services expenditure		356 464	232 440
Construction expenses		259 067	244 945
		14 730 239	14 294 139
Net cash flows from operating activities	28	**3 182 517**	**3 192 508**
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(3 629 728)	(3 918 340)
Additions to investment property	8	(8 647)	(80 168)
Additions to intangible assets	10	(11 920)	(2 051)
Additions to heritage assets	9	-	(214)
Net cash flows from investing activities		**(3 650 295)**	**(4 000 773)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(12 975)	(7 690)
Finance lease entered into		16 116	12 476
Net cash flows from financing activities		**3 141**	**4 786**
Net decrease in cash and cash equivalents		(464 637)	(803 479)
Cash and cash equivalents at the beginning of the year		(1 464 870)	(661 391)
Cash and cash equivalents at the end of the year		**(1 929 507)**	**(1 464 870)**

* Restated – see note 37 and note 38

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	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
Receipts					
Accommodation charges – leasehold intergovernmental	4 218 751	(73 046)	**4 145 705**	4 227 723	**82 018**
Accommodation charges – freehold intergovernmental	6 845 669	(113 068)	**6 732 601**	6 450 983	**(281 618)**
Accommodation charges – freehold private	40 253	-	**40 253**	42 027	**1 774**
Augmentation	3 405 414	(15 966)	**3 389 448**	3 389 448	**-**
Management fees on municipal services	212 044	(40 754)	**171 290**	184 783	**13 493**
Municipal services recovered	-	-	**-**	3 350 131	**3 350 131**
Interest, fines, recoveries and other receipts	24 851	(4 050)	**20 801**	8 594	**(12 207)**
Construction revenue	-	-	-	259 067	**259 067**
	14 746 982	**(246 884)**	**14 500 098**	**17 912 756**	**3 412 658**
Payments					
Cleaning and gardening	250 657	-	**250 657**	252 895	**2 238**
Admin, goods and services	705 421	-	**705 421**	642 267	**(63 154)**
Planned maintenance	921 727	(67 176)	**854 551**	884 767	**30 216**
Unplanned maintenance	1 212 660	(40 156)	**1 172 504**	1 309 282	**136 778**
Municipal services (paid/ recoverable)	-	-	**-**	4 164 585	**4 164 585**
Operating leases (including rent on land)	4 339 725	(73 046)	**4 266 679**	4 266 679	**-**
Property rates	1 161 796	-	**1 161 796**	1 227 927	**66 131**
Compensation of employees	1 469 783	-	**1 469 783**	1 366 306	**(103 477)**
Municipal services expenditure	260 979	12 937	**273 916**	356 464	**82 548**
Construction expenses	-	-	**-**	259 067	**259 067**
	10 322 748	**(167 441)**	**10 155 307**	**14 730 239**	**4 574 932**
Capital movements					
Recoverable capital expenditure	3 397 765	(186 776)	**3 210 989**	2 504 476	**(706 513)**
Non-recoverable capital expenditure	986 055	107 333	**1 093 388**	1 115 754	**22 366**
Machinery and equipment	40 414	-	**40 414**	30 065	**(10 349)**
Finance lease	-	-	-	(3 141)	**(3 141)**
	4 424 234	**(79 443)**	**4 344 791**	**3 647 154**	**(697 637)**
Cash deficit	**-**	**-**	**-**	**(464 637)**	**(464 637)**

Refer to note 29 for the reconciliation and explanations of material differences.

1. Presentation of 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, 1999 (Act No. 1 of 1999) (PFMA).

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 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 Minister of Public Works 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 1 April 2009. The DPW assigned those functions to the PMTE and by virtue of the 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 of and maintain the assets.

The PMTE monitors state land reflected on the Deeds Register on an ongoing basis. Land registered in the name of the national government that could not be confirmed to be under the custodianship of other national custodians is recognised by the PMTE. Any changes in ownership is derecognised accordingly. The PMTE discloses a contingent asset for properties identified to be under its custodianship where the property could not be reliably measured due to the extent not being determined through the Office of the Surveyor-General.

In terms of paragraph 7.37 of the vesting guidelines issued by DRDLR on 30 March 2017, “for any provincial government to claim ownership of vacant land, such province should provide proof of intended use. The absence of such proof automatically means that such land vests in the national government of RSA”. The PMTE is thus deemed to have control over such land parcels and has currently recognised unvested land parcels.

The PMTE recognises immovable assets where the property will vest with the national government based on the principles contained in the approved vesting guidelines.

While properties (land and buildings), as outlined in the Endowment Act, 1922 (Act No. 33 of 1922) are disclosed in the financial statements of the DOD, there are a number of extended structures pertaining to such endowment facilities that have “encroached” onto neighbouring land under the custodianship of the PMTE. While such structures are reflected as part of endowment properties by the DOD, the underlying land is currently reflected in immovable assets by the PMTE until such time as it may be transferred to the DOD. Control and or access over such land may be restricted given the DOD’s facilities thereon.

1.1.2 Assets and liabilities related to the transfer of functions

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 were estimated using various measurement bases, depending on the type of asset or liability. The DPW transferred functions on two separate occasions, effective 1 April 2013 and 1 April 2014 respectively. For further details, refer to note 1.28.

1.1.3 Useful life and residual values

The estimated useful lives of property, plant and equipment, investment property and intangible assets are assessed annually and are 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 ministers to stay free of charge in the first property provided to them. 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 the value of the service provided to prestige clients. Therefore, the receivable is classified as a statutory receivable and the revenue is classified as a non-exchange transaction.

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 are not transferred during the lease term from either the lessee's or the lessor's perspective.

The same terms and conditions included in the underlying lease agreements with the landlord are used to determine the relevant presentation for lease-out arrangements.

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 intergovernmental accommodation, no systematic basis can be used to recognise the lease revenue that would be representative of the time pattern the benefit of which derived from the lease asset.

1.1.6 Impairment

Impairment of receivables measured at cost or amortised costs

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 that have defaulted, management made judgements based on history to determine if the receivable or 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.

Impairment of immovable assets

The PMTE uses the depreciated replacement cost method for assessing the impairment of the majority of the immovable assets. The depreciated replacement cost is based on the current building indices factoring in the current condition rating assessed and the impairment indicators.

Assets under construction are considered for impairment when the project is cancelled, halted or delayed.

1.1.7 Significantly delayed projects

Projects are regarded as “significantly delayed” when they have been delayed by more than 50% of the planned project period.

Projects are regarded as technically delayed, for financial statement disclosure purposes, when the they have not yet reached practical completion status at reporting date and the “planned project period” has expired before the reporting date.

Projects that are “completed”, “cancelled” or in the “planning and design stage” are excluded from the population for the purpose of the “significantly delayed” disclosures.

1.1.8 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, the purpose for which the property is held by the national department, and the occupant. The main factor considered is whether the PMTE holds the asset either for service delivery (in accordance with a 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 to 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.

The Standard of GRAP on Investment Property (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 is 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.

The PMTE determines the intended use of a facility by evaluating the characteristics of the facility against the criteria for investment property. The criteria for investment property are as follows:

- The current occupant (lessee) is not an organ of state; and
- Future occupants of the facility will most probably not be an organ of state; and
- There is no intention for the facility to be occupied in future by an organ of state for the production or supply of goods or services, for administrative purposes or for executing its mandate; and/or
- The facility is held in its entirety, for long-term/future capital appreciation rather than for short-term sale in the ordinary course of operations; or
- The facility is specifically earmarked as investment property (i.e. for rental to occupants that are not organs of state, or for development with the sole intention to be leased to occupants that are not organs of state, or capital appreciation); and/or
- A vacant building/facility is held to be leased out under one or more operating leases on a commercial basis to external parties.
- The intended use is of a dual nature/purpose. A facility will only be classified as investment property if the main purpose and most significant use of the facility is to earn rentals or capital appreciation; or
- The facility is being constructed or developed for future use as investment property.

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 (GRAP 17).

For purposes of classifying these non-financial assets, that are subject to impairment, either as cash-generating or non-cash generating, the 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 the 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 to enable them to deliver on their mandates. Where the PMTE asks 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.

1.1.9 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. Consideration was given to whether the PMTE was 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 regard to the lease arrangement with the respective landlords.

Client departments occupying properties are liable for the municipal service 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 acts as an agent with regard to the payment and recovery of these municipal service charges. The management fee for rendering this service is recognised as revenue for the PMTE.

1.1.10 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 that 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 its 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 through legislation (i.e. statutory receivables) or in accordance with an agreement (i.e. financial assets). Refer to note 1.15 and note 1.16 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 (i.e. statutory receivables) or in accordance with an agreement (i.e. 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.

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 are 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. Where the fair value of the assets is not available to determine the implicit interest rate of the lease, the PMTE uses the rate applicable to debt owed by the state. The liability is recognised at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

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 renegotiated. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue. 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 in the notes to the financial statements.

The PMTE recognised month-to-month leases as revenue from exchange transactions as and when the revenue is due.

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.

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. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. 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 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, strategic 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 accummulated 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 which meet the recognition criteria above, are included in the cost of that item of property, plant and equipment as a replacement. Any remaining inspection costs from the previous inspection are derecognised.

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 its cost 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 the 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 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 are retrospectively adjusted to the period when the transfer of functions were 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.

The PMTE shall assess annually, at each reporting date, whether there is any indication that an impairment loss recognised in a 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 are 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 , 1961 (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;
- 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 carrying amount, where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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. Depreciation ceases when the asset is disposed of.

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.

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 , 1961 (Act No. 48 of 1961).

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.

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 carrying amount, 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 heritage asset 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 assesses, 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 assets 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, 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 carrying amount, 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.

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 assets 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

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.

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.

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.

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 are provided. Once the contributions are paid, the PMTE has no further payment obligations.

Long service awards

The PMTE recognises the expected cost of short-term employee benefits in surplus or deficit, in the form of long service awards, when the employees render services for a period that entitles them to long service award benefits as prescribed by DPSA policies.

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; 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 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 are 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, unscheduled maintenance and municipal rates and services 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.

1.14 Reserves

The PMTE's reserves are made up of accumulated surplus.

Accumulated surplus is mainly built up to ensure adequate rehabilitation and maintenance of state-owned infrastructure and future infrastructure development.

1.15 Statutory receivables and payables

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 legislatory requirements are measured at the amount determined in legislation (i.e. transaction price).

Statutory receivables and payables are not discounted.

Impairment of receivables measured at cost

At the end of each reporting period, the PMTE assesses all receivables to determine whether there is objective evidence that the asset or group of assets has been impaired. The inability to redeem amounts due based on the payment history is considered to be an indicator 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 cash flows, 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

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.

Interest is charged on debt outstanding exceeding the normal credit terms at the rate applicable to debt owed to the state, except for debt owed by government institutions.

The effect of payment for short-term receivables outstanding for longer than 30 days is considered during the impairment assessment.

Impairment of assets

The PMTE assesses, at the end of each reporting period, whether there is any objective evidence that a financial or non-financial asset or group of assets is impaired.

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets 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 accounted for directly to the receivables. Financial assets 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 of reversal. The amount of the reversal is recognised in surplus or deficit.

At the end of each 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, the availability of funds/budget allocation of clients, the probability that the debtor will enter bankruptcy, default of payments and payment history are all considered indicators of impairment.

Non-financial assets measured at cost

Where the carrying amount of a non-financial asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in surplus or deficit. In assessing the value in use, the PMTE has adopted the depreciated replacement cost approach.

For further details regarding impairment of property, plant and equipment, investment property, heritage assets and intangible assets, refer to note 1.6.

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 are 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:
    - derecognises the asset; and
    - recognises 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.

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 is 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 (GRAP 23).

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 the 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 intergovernmental, which refers to lease revenue earned from assets that are owned by the private sector, which is then sub-leased to client departments;
- Freehold intergovernmental, which refers to lease revenue from state-owned assets leased to client departments; and
- Freehold private, which refers to lease revenue from state-owned assets leased to the private sector and individuals

Revenue from construction contracts is classified as revenue from exchange transactions and recognised by reference to the stage of completion of the contract when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, construction revenue is recognised to the extent of contract costs incurred that are likely to be recoverable in the period in which they are incurred. An expected loss on a contract is recognised immediately in the surplus or deficit in the period in which it was incurred. Refer to note 1.20 for further details.

Interest is recognised, in surplus or deficit, using the effective interest rate method. Interest is, inter alia, earned on advances provided on projects conducted by implementing agents and freehold private leases.

The PMTE pays municipal services on behalf of the client departments and earns a 5% management fee on the value of the municipal 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 a 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 that 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 are referred to as augmentation and are 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.

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 Construction costs, revenue and receivables

Expenditure incurred in capital construction projects is classified as construction costs and recognised in the Statement of Financial Performance when the amount is recoverable based on the work completed. The revenue is recovered on a full cost recovery basis. The related receivable is recognised when the amount becomes recoverable.

1.21 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 payment and disclosed separately in note 31 and note 32. 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.

1.22 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the PMTE, including those charged with the governance of the PMTE 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 PMTE.

Only transactions with related parties not at arms' length or not in the ordinary course of business are disclosed in note 35. 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, members of the Minister and Top Management Committee of the DPW, chairpersons of significant committees, heads of units and regional managers. Where the remuneration of management is not accounted for by the PMTE (as included in note 35), 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.

1.23 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.

1.24 Commitments

Items are classified as commitments when the PMTE 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 and maintenance expenditure, which has been approved and has either contracted for or an order has been issued to the supplier relating to immovable assets.

See notes 7, 8, 9 and 10 for additional disclosure. The PMTE also manages other projects on behalf of client departments, which are not in respect of the PMTE's immovable assets. These agency commitments have been disclosed in note 34.

1.25 Going concern assumption

These annual financial statements have been prepared on the going concern basis. Although the PMTE has a bank overdraft of R1.9 billion (2016: R1.5 billion) and the current liabilities exceed the current assets by R8.8 billion (2016: R8.2 billion), management maintains its 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. The National Treasury has been informed of the PMTE's position accordingly. Management is embarking on a revenue generating drive and has reinforced its efforts to collect all outstanding debts.

1.26 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 is disclosed in note 37.

1.27 Deferred revenue

The PMTE recognises in payables an amount for deferred revenue where the leasing revenue (accommodation charges – freehold intergovernmental) recognised from client departments is deferred until the project is ready for use and capitalised under immovable assets.

1.28 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 1 April 2013 and 1 April 2014 respectively. The transfer of functions was approved by the Accounting Officer on 18 November 2013 and 30 March 2015 respectively when substantial control of these functions was obtained.

The PMTE acquired the following functions and the related assets and liabilities from the DPW on 30 November 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 transfer.

The PMTE acquired the following functions and the related assets and liabilities from the DPW on 30 March 2015:

- Inner City Regeneration
- Projects and Professional Services
- Regional Coordination
- Supply Chain Management
- Regional Support and Regional Managers

Full compliance is required by 31 March 2018 for the above transfer.

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)

The exemption for applying the measurement requirements of the relevant Standards of GRAP implies that any associated presentation and disclosure requirements do 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 Standard becomes effective.

Standard:
- Related Parties (GRAP 20)
- Transfer of Functions Under Common Control (GRAP 105)
- Statutory Receivables (GRAP 108)

2.2 Standards not yet effective (with possible extended impact)

The PMTE has not applied the standards below, which have been approved but are not yet effective. The adoption of these Standards are 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:
- Accounting by Principals and Agents (GRAP 109)
- Segment Reporting (GRAP 18)

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:
- Transfer of Function of Entities Not Under Common Control (GRAP 106)
- Mergers (GRAP 107)
- Service Concession Agreements Where a Grantor Controls a Significant Residual Interest in an Asset (IGRAP 17)
- Service Concession Agreements: Grantor (GRAP 32)

3. Receivables from exchange transactions

	2016/17 R'000	2015/16* R'000
Financial assets		
Accommodation debtors – leasehold intergovernmental	506 028	529 080
Accommodation debtors – freehold intergovernmental debtors	613 256	347 811
Accommodation debtors – freehold private	29 171	4 601
Municipal services	423 202	521 118
Debt account	5 040	2 169
Revenue accrual	1 986 446	1 539 672
Municipal deposits	15 758	15 160
Implementing agents	5 341	–
Other debtors	1 385	8
Recoverable property rates	–	–
	3 585 627	**2 959 619**
Non-financial asset		
Prepaid expenses	1 273 764	824 427
	4 859 391	**3 784 046**

The applicable interest rate for outstanding receivables for the period is 10.50% (2016: 10.25%). Revenue accruals relates to services rendered to our clients but not yet invoiced.

Included in the prepaid expenses are contractual advances to other government entities, which are implementing agents of the PMTE. The interest earned on these advances is included in implementing agents under financial assets above.

Receivables past due but not impaired

All receivables past due were considered for impairments. Refer to note 22 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 the 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:

	2016/17 %	2015/16* %
Accommodation debtors – freehold intergovernmental debtors	32	49
Accommodation debtors – leasehold intergovernmental	36	34
Accommodation debtors – freehold private	24	25
Municipal services	74	31
Debt account	64	64
Recoverable property rates	100	100

* Restated – see note 37 and note 38

4. Receivables from non-exchange transactions

	2016/17 R'000	2015/16* R'000
Accommodation debtors – freehold prestige	66	1 596

Certain properties are leased to prestige clients. 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 rental as prescribed.

Receivables from non-exchange transactions past due but not impaired

There were no receivables past due that were not impaired. Refer to note 22 for impairment loss incurred during the period for receivables from exchange transactions

5. Operating lease asset/(liability)

	2016/17 R '000	2015/16* R '000
Current assets	713 292	899 747
Current liabilities	(702 134)	(855 195)
	11 158	**44 552**
Total operating lease asset – PMTE as lessor	675 729	855 195
Leasehold intergovernmental	37 562	44 552
Freehold private	**713 291**	**899 747**
Total minimum lease receipts – PMTE as lessor	2 368 183	3 014 864
Within one year	3 627 061	4 103 870
In second to fifth year inclusive	352 755	653 003
Later than five years	**6 347 999**	**7 771 737**

Leasehold intergovernmental

Based on the nature of leases that are running on a month-to-month and open-ended basis, the related leasehold commitment, is based on the contractually agreed upon notice period. The said amounts have been included in the "within one year" ageing bracket.

The intergovernmental 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 the 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 37 and note 38

5. Operating lease asset/(liability) (continued)

	2016/17 R'000	2015/16* R'000
Total operating lease liabilities – PMTE as lessee		
Operating lease liabilities – leasehold intergovernmental	**702 134**	**855 195**
Total minimum lease payments – PMTE as lessee		
Within one year	2 410 558	2 981 695
In second to fifth year inclusive	3 727 265	4 004 456
Later than five years	305 403	501 514
	6 443 226	**7 487 665**

The PMTE has 2 597 active leases (2016: 2 459) 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, at financial reporting date, 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

	2016/17 R'000	2015/16* R'000
Cash and cash equivalents consist of:		
Cash on hand	218	234
Bank balance	2 716	3 748
Bank overdraft	(1 932 441)	(1 468 852)
	(1 929 507)	**(1 464 870)**
Current assets	2 934	3 982
Current liabilities	(1 932 441)	(1 468 852)
	(1 929 507)	**(1 464 870)**

The interest rate on the bank balance is variable. The average effective interest rate on short-term bank deposits is 5.50% (2016: 4.67%). The bank overdraft carries no interest.

* Restated – see note 37 and note 38

7. Property, plant and equipment

	2016/17			2015/16*		
	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	42 632 554	–	42 632 554	42 210 085	–	42 210 085
Buildings and improvements	99 400 745	(9 437 214)	89 963 531	95 502 608	(6 897 135)	88 605 473
Furniture and office equipment	111 039	(37 802)	73 237	93 642	(21 439)	72 203
Motor vehicles	151	(82)	69	608	(384)	224
Computer equipment	207 439	(79 952)	127 487	196 937	(43 892)	153 045
Other machinery and equipment	43 308	(11 771)	31 537	40 438	(7 578)	32 860
Total	**142 395 236**	**(9 566 821)**	**132 828 415**	**138 044 318**	**(6 970 428)**	**131 073 890**

Additional disclosure relating to assets under construction

	2016/17			2015/16*
	Cumulative expenditure recognised in carrying value	Carrying value of projects significantly delayed	Carrying value of projects halted	Cumulative expenditure recognised in carrying value
	R '000	R '000	R '000	R '000
Land	256	–	–	244
Building and improvements	10 316 911	3 466 181	–	9 873 743

Reasons for construction projects being significantly delayed are mainly due to poor contractor performance.

Assets subject to finance lease (Net carrying amount)

	2016/17	2015/16*
	R'000	R'000
Furniture and office equipment	15 673	10 633
Vehicles	69	224
	15 742	**10 857**

Refer to note 14 for further details regarding the commitments for finance-leased assets.

Contractual commitments for acquisition and maintenance of property, plant and equipment

	2016/17			2015/16*
	Committed for acquisition (CAPEX)	Committed for maintenance (OPEX)	Total commitment	Committed for acquisition (CAPEX)
	R'000	R'000	R'000	R'000
Building and improvements	3 089 228	6 540 892	9 630 120	5 730 749

* Restated – see note 37 and note 38

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reconciliation of property, plant and equipment – 2017

	Opening balance	Additions	Disposals	Transfers in/ (out)	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
Land	42 210 085	481 066	(336 778)	277 704	477	–	–	42 632 554
Buildings and improvements	88 605 473	–	(9 057)	(277 704)	4 186 224	(2 508 967)	(32 438)	89 963 531
Furniture and office equipment	72 203	18 551	(789)	259	–	(16 466)	(521)	73 237
Vehicles	224	–	(31)	–	–	(124)	–	69
Computer equipment	153 045	13 570	(485)	3 181	–	(41 047)	(777)	127 487
Other machinery and equipment	32 860	4 826	(740)	(576)	–	(4 457)	(376)	31 537
	131 073 890	**518 013**	**(347 880)**	**2 864**	**4 186 701**	**(2 571 061)**	**(34 112)**	**132 828 415**

Reconciliation of property, plant and equipment – 2016

	Opening balance	Additions	Disposals	Transfers in/ (out)	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
Land	42 202 370	–	–	–	7 715	–	–	42 210 085
Buildings and improvements	86 680 296	–	–	–	4 324 978	(2 390 467)	(9 334)	88 605 473
Furniture and office equipment	70 547	15 663	(877)	(874)	–	(11 628)	(628)	72 203
Vehicles	416	–	–	–	–	(192)	–	224
Computer equipment	163 507	25 056	(887)	(103)	–	(34 193)	(335)	153 045
Other machinery and equipment	33 783	3 358	(257)	(88)	–	(3 836)	(100)	32 860
	129 150 919	**44 077**	**(2 021)**	**(1 065)**	**4 332 693**	**(2 440 316)**	**(10 397)**	**131 073 890**

* Restated – see note 37 and note 38

7. Property, plant and equipment (continued)

Transitional provisions

All classes of property, plant and equipment were impacted on by the transfer of functions. Refer to note 38 for further details.

Other disclosure

An additional 366 properties were identified on the Deeds download received during May 2017 effective 31 March 2017, while 249 land parcels had changed ownership with no formal process or disposal followed. The latter land parcels have been placed under investigation due to the nature of the ownership change (refer to note 24).

The PMTE has reconciled its immovable asset register to the other national and provincial custodians and has identified properties under its control where the underlying land was also disclosed by the provinces. These properties mainly relate to instances where both a national and provincial function structure is located on the same land parcel. Included in the amounts recognised in property, plant and equipment are land parcels that are currently also included in the asset register of the provinces. The PMTE will continue to disclose such land until it is surveyed and the portion relating to the provincial function is identifiable and transferred where applicable. The table below reflects details as at 31 March 2017:

	Number of properties	Total extent of land (ha)	Carrying value R'000
Gauteng	202	1 851 R	151 717
Mpumalanga	2	4 R	209
North West	3	6 R	839
	207	**1 861 R**	**152 765**

Included in the properties recognised under property, plant and equipment are 235 unvested vacant land parcels (R158 million) and 583 properties (R540 million) occupied by national government still to be correctly vested.

8. Investment property

	2016/17			2015/16*		
	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	6 147 298	(607 052)	5 540 246	6 138 651	(455 285)	5 683 366

Reconciliation of investment property – 2017

	Opening balance	Additions through assets under construction	Depreciation	Total
	R'000	R'000	R'000	R'000
Land	1 386 367	–	–	1 386 367
Building and improvements	4 296 999	8 647	(151 767)	4 153 879
	5 683 366	**8 647**	**(151 767)**	**5 540 246**

Reconciliation of investment property – 2016*

	Opening balance	Additions through assets under construction	Depreciation	Total
	R'000	R'000	R'000	R'000
Land	1 386 367	–	–	1 386 367
Building and improvements	4 368 598	80 168	(151 767)	4 296 999
	5 754 965	**80 168**	**(151 767)**	**5 683 366**

Additional disclosure relating to assets under construction

	2016/17			2015/16*
	Cumulative expenditure recognised in carrying value	Carrying value of projects significantly delayed	Carrying value of projects halted	Cumulative expenditure recognised in carrying value
	R'000	R'000	R'000	R'000
Building and improvements	74 983	50 532	–	273 746

Reasons for construction projects being significantly delayed are due to poor contractor performance.

* Restated – see note 37 and note 38

8. Investment property (continued)

Amounts recognised in the Statement of Financial Performance relating to investment property

	2016/17			2015/16*		
	Revenue generating	Non-revenue generating	Total	Revenue generating	Non-revenue generating	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Property maintenance	10	39	49	85	147	232
Municipal services	5 734	429	6 163	701	306	1 007
Property rates	4 739	777	5 516	2 031	473	2 504
Cleaning and gardening	–	37	37	177	–	177
Security	–	430	430	–	407	407
Total direct expenses	10 483	1 712	12 195	2 994	1 333	4 327
Revenue from exchange (Freehold private)	65 674	–	65 674	40 787	–	40 787
Total surplus/(deficit) on investment property	**55 191**	**(1 712)**	**53 479**	**37 793**	**(1 333)**	**36 460**

Contractual commitments for the acquisition and maintenance of investment property

	2016/17			2015/16*
	Committed for acquisition (CAPEX)	Committed for maintenance (OPEX)	Total commitment	Committed for acquisition (CAPEX)
	R'000	R'000	R'000	R'000
Building and improvements	–	–	–	36 365

Transitional provisions

All classes of investment property were impacted on by the transfer of functions. Refer to note 38 for further details.

* Restated – see note 37 and note 38

9. Heritage assets

	2016/17			2015/16*		
	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	559 346	–	559 346	559 346	–	559 346
Building and improvements	87 577	–	87 577	87 577	–	87 577
Total	**646 923**	–	**646 923**	**646 923**	–	**646 923**

Reconciliation of heritage assets – 2017

	Opening balance	Additions through assets under construction	Total
	R'000	R'000	R'000
Land	559 346	–	559 346
Building and improvements	87 577	–	87 577
	646 923	–	**646 923**

Reconciliation of heritage assets – 2016*

	Opening balance	Additions through assets under construction	Total
	R'000	R'000	R'000
Land	559 346	–	559 346
Building and improvements	87 363	214	87 577
	646 709	**214**	**646 923**

Additional disclosure relating to assets under construction

	2016/17			2015/16*
	Cumulative expenditure recognised in carrying value	Carrying value of projects significantly delayed	Carrying value of projects halted	Cumulative expenditure recognised in carrying value
	R'000	R'000	R'000	R'000
Building and improvements	445	–	–	1 166

Contractual commitments for the acquisition and maintenance of heritage assets

	2016/17			2015/16*
	Committed for acquisition (CAPEX)	Committed for maintenance (OPEX)	Total commitment	Committed for acquisition (CAPEX)
	R'000	R'000	R'000	R'000
Building and improvements	46	–	46	330

Transitional provisions

All classes of investment property were impacted on by the transfer of functions. Refer to note 38 for further details.

* Restated – see note 37 and note 38

10. Intangible assets

	2016/17			2015/16*		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software	28 017	(7 127)	20 890	16 269	(4 620)	11 649

Reconciliation of intangible assets – 2017

	Opening balance	Additions	Transfers between DPW and PMTE	Amortisation	Impairment loss	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software	11 649	11 871	49	(2 679)	–	20 890

Reconciliation of intangible assets – 2016*

	Opening balance	Additions	Transfers between DPW and PMTE	Amortisation	Impairment loss	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software	11 506	3 711	(1 660)	(1 885)	(23)	11 649

Additional disclosure relating to assets under development

	2016/17			2015/16*
	Cumulative expenditure recognised in carrying value	Carrying value of projects significantly delayed	Carrying value of projects halted	Cumulative expenditure recognised in carrying value
	R'000	R'000	R'000	R'000
Computer software	15 268	15 268	–	3 397

Reason for the project being significantly delayed is due to poor contractor performance relating to the Archibus/SAGE integration software development project.

Contractual commitments for acquisition and maintenance of intangible asset

	2016/17			2015/16*
	Committed for acquisition (CAPEX)	Committed for maintenance (OPEX)	Total commitment	Committed for acquisition (CAPEX)
	R'000	R'000	R'000	R'000
Computer software	–	–	–	11 871

TRANSITIONAL PROVISIONS

Intangible assets recognised at provisional amounts

All classes of intangible assets were impacted on by the transfer of functions. Refer to note 38 for further details.

* Restated – see note 37 and note 38

11. Deferred revenue

	2016/17 R'000	2015/16* R'000
Deferred revenue	6 418 437	6 227 596

This relates to recoverable capital claims for projects that are under construction, which will be deferred until the project is complete.

Opening balance	6 227 596	6 063 187
Plus: Revenue deferred during the year	2 076 947	2 344 152
Less: Revenue recognised during the year	(1 886 106)	(2 179 743)
	6 418 437	**6 227 596**

12. Payables from exchange transactions

	2016/17 R'000	2015/16* R'000
Financial liabilities		
Accrued expenses – Assets	390 392	252 819
Accrued expenses – Cleaning and gardening	17 157	20 841
Accrued expenses – Leases	418 819	326 860
Accrued expenses – Maintenance	468 259	586 367
Accrued expenses – Municipal services	1 001 975	720 529
Accrued expenses – Other	99 564	190 790
Accrued expenses – Property rates	76 743	33 832
Accrued expenses – Schedule maintenance	227 035	109 704
Accrued expenses – Security	3 381	5 563
Total accrued expenses	2 703 325	2 247 305
Unallocated deposits	4 441	1 346
Trade payables	–	2
Deposits received	17	16
	2 707 783	**2 248 669**
Non-financial liabilities		
Income received in advance – leases	539 251	510 835
Income received in advance – other services	116 438	67 716
	3 363 472	**2 827 220**

13. Retention liabilities

	2016/17 R'000	2015/16* R'000
Current liabilities	283 817	278 255
Non-current liabilities	38 210	21 381
	322 027	**299 636**

* Restated – see note 37 and note 38

14. Finance lease obligation

	2016/17 R'000	2015/16* R'000
Minimum lease payments due		
- within one year	9 714	7 981
- in second to fifth year inclusive	8 895	4 603
	18 609	12 584
less: future finance charges	(1 870)	(977)
Present value of minimum lease payments	**16 739**	**11 607**
Present value of minimum lease payments due		
- within one year	8 455	7 274
- in second to fifth year inclusive	8 284	4 333
	16 739	**11 607**
Current liabilities		11 174
Non-current liabilities	8 284	433
	16 739	**11 607**

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 other equipment and 24 months for cellphones and 3G cards. All contracts have no escalation clauses.

15. Employee benefit obligations

Reconciliation – 2017	Opening balance R'000	Utilised during the year R'000	Over/(under) provided R'000	Additions R'000	Total R'000
Leave	110 684	(99 691)	(10 994)	126 198	126 197
Service bonus	34 012	(33 285)	(727)	35 730	35 730
Performance bonus	18 094	(18 170)	76	20 651	20 651
Long service awards	5 734	(2 782)	–	3 232	6 184
	168 524	**(153 928)**	**(11 645)**	**185 811**	**188 762**

Reconciliation – 2016*	Opening balance R'000	Utilised during the year R'000	Over/(under) provided R'000	Additions R'000	Total R'000
Leave	118 826	(105 935)	(12 891)	110 684	110 684
Service bonus	33 613	(32 093)	(1 520)	34 012	34 012
Performance bonus	18 144	(16 801)	(1 343)	18 094	18 094
Long service awards	5 059	(2 277)	–	2 952	5 734
	175 642	**(157 106)**	**(15 754)**	**165 742**	**168 524**

Transitional provisions

Included in the above is employee benefit obligations recognised at provisional amount. Refer to note 38 for further details.

* Restated – see note 37 and note 38

16. Provisions

Reconciliation of provisions – 2017	Opening balance	Additions	Utilised during the year	Change in estimate	Total
	R'000	R'000	R'000	R'000	R'000
Municipal services and property rates	1 000 011	85 992	(154 197)	–	931 806
Unplanned maintenance	–	511 407	–	–	511 407
Legal proceedings	13 295	3 780	(31)	(5 988)	11 056
	1 013 306	**601 179**	**(154 228)**	**(5 988)**	**1 454 269**

Reconciliation of provisions – 2016*					
Municipal services and property rates	–	1 288 719	(288 708)	–	1 000 011
Legal proceedings	15 551	2 798	(5 054)	–	13 295
	15 551	**1 291 517**	**(293 762)**	–	**1 013 306**

Municipal services and property rates

The DPW embarked on Phase II of the 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 claims with the local municipalities to ensure that only confirmed and valid claims were settled. The next phase of the project would be to confirm the debt with the relevant departments to settle the remaining liability and to recover overpayments to municipalities. National Treasury is being consulted to assist with a uniform approach concerning the settlement of the debt and outstanding interest.

As a result of this project, the PMTE has identified prepayments to municipalities amounting to R177 million (2016: R135 million) included in the prepaid expenses in note 3.

Debt owed to/due from municipalities but not confirmed has been included in contingent liabilities and contingent assets respectively (refer to note 30). Included in contingent liabilities is an amount of R25 million relating to interest charged by municipalities, which is still in the process of verification.

Unplanned maintenance

The PMTE appoints contractors to perform repair and maintenance services for its properties. These transactions have been classified as a provision as there is a greater element of uncertainty regarding the amounts and timing of the work performed. Management is in the process of engaging with contractors to provide all the required documentation to validate invoices.

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 37 and note 38

17. Revenue from exchange transactions

	2016/17 R'000	2015/16* R'000
Accommodation charges – Leasehold intergovernmental	4 008 113	4 222 006
Accommodation charges – Freehold intergovernmental	6 362 928	6 453 929
Accommodation charges – Freehold private	65 674	40 787
Management fees on municipal services	193 172	182 001
Reversal of impairment loss for receivables from exchange transactions	75 860	47 734
Sundry revenue	7 639	25 922
Interest revenue	9 726	7 265
Recoveries	678	10
	10 723 790	**10 979 654**
Interest revenue consists of:		
Interest from receivables	9 719	7 261
Interest on bank balances	7	4
	9 726	**7 265**

18. Revenue from non-exchange transactions

	2016/17 R'000	2015/16* R'000
Augmentation	3 389 448	3 524 652
Goods and service in-kind	27 164	36 938
Contractor fines	2 714	10 546
Accommodation charges – Prestige	1 870	2 013
Revenue from transfer of immovable assets	1 081 153	432 877
Reversal of impairment loss for receivables from non-exchange transactions	–	552
	4 502 349	**4 007 578**

19. Construction revenue and expenses

	2016/17 R'000	2015/16* R'000
Amount recognised in surplus		
Construction revenue	254 527	256 288
Construction expenses	(254 527)	(256 288)
	–	–

The following is included in the revenue accrual amount per note 3:

Gross amount due from clients		
Costs incurred to date	951 043	696 515
Amounts invoiced to date	(936 496)	(676 061)
	14 547	**20 454**
Amounts not yet billed (revenue accrual)		
Retentions	7 839	6 173
Accrued expenses	6 708	14 281
	14 547	**20 454**

* Restated – see note 37 and note 38

20. Depreciation, amortisation and impairments of assets

	2016/17 R'000	2015/16* R'000
Property, plant and equipment	2 605 173	2 450 713
Investment property	151 767	151 767
Intangible assets	2 679	1 908
	2 759 619	**2 604 388**

21. Employee-related costs

	2016/17 R'000	2015/16* R'000
Bargaining council	336	317
Basic salary and non-pensionable salary	1 144 790	971 024
Housing allowances	54 996	52 834
Medical aid contributions	72 693	69 141
Overtime	17 641	21 079
Pension fund contributions	114 132	108 625
Performance bonus	22 612	17 318
Service bonus	73 667	69 798
	1 500 867	**1 310 136**

22. Impairment loss on receivables

	2016/17 R'000	2015/16* R'000
Receivables from exchange transactions	301 443	472 356
Receivables from non-exchange transactions	2 133	–
	303 576	**472 356**

23. Interest expense

	2016/17 R'000	2015/16* R'000
Interest on overdue accounts	106	888
Interest on municipal services and property rates	85 991	243 577
Interest on finance leases	1 991	942
	88 088	**245 407**

Interest due on backlog municipal services and property rates has not been paid yet. A provision for this has been included in note 16.

* Restated – see note 37 and note 38

24. Loss on disposal/transfer of assets

	2016/17 R'000	2015/16* R'000
Property, plant and equipment	356 928	5 186

The majority of the loss on the disposal of property, plant and equipment (amounting to R346 million) relates to the 249 land parcels, which have changed ownership during the 2016/17 financial period. These are currently under investigation. Refer to note 7.

25. Operating lease

	2016/17 R'000	2015/16* R'000
Operating lease – building and improvements	4 115 701	4 003 001
Operating lease – vehicles, furniture and office equipment	40 822	42 453
Rent on land	24 672	32 570
	4 181 195	**4 078 024**

26. Property maintenance (contracted services)

	2016/17 R'000	2015/16* R'000
Property maintenance expense relates to the following asset categories:		
Property, plant and equipment	2 842 233	2 968 531
Investment property	49	232
Heritage assets	2 891	2 949
Leased properties	9 942	10 349
	2 855 115	**2 982 061**

The property maintenance expense constitutes payments to contractors for services rendered relating to repairs and maintenance on properties.

* Restated – see note 37 and note 38

27. Sundry operating expenses

	Note	2016/17 R'000	2015/16* R'000
Advertising		3 041	3 909
Auditors remuneration		28 387	29 776
Bad debts written off		1 877	14 648
Bank charges		305	196
Bursaries		4 119	–
Claims against the state		37	1 429
Cleaning and gardening		250 004	217 999
Communication expenses		14 684	12 614
Computer software-related expenses		11 411	19 961
Consulting fees	27.1	290 477	211 036
Consumables		27 165	24 075
Fleet expenses	27.2	12 155	18 486
Losses incurred		62 113	57 211
Municipal service expenses		258 922	809 795
Other contractors		6 467	5 435
Other goods and services		12 150	1 724
Retirement awards		9 086	10 420
Security		76 220	60 948
Service in-kind expenses	27.3	21 420	5 285
Service in-kind receivable derecognised	27.4	–	187 183
Travel and subsistence		71 779	69 227
		1 161 819	**1 761 357**

27.1 Consulting fees

Included in consulting fees is R149 million (2016: R79 million) paid to the Special Investigating Unit for investigation purposes, and R29 million (2016: R16 million) paid to COEGA Development Corporation for business improvements and process reviews.

27.2 Fleet expenses

The PMTE has entered into operating lease arranagements for vehicles. The operating lease for vehicles is on a month-to-month basis and therefore no operating lease asset or liability exists.

27.3 Service-in-kind expense

This amount relates to expenses and movable assets paid for by the PMTE, but utilised by the DPW.

27.4 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 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 37 and note 38

28. Cash generated from operations

	2016/17 R'000	2015/16* R'000
Surplus	980 613	402 875
Adjustments for:		
Depreciation, impairment and amortisation	2 759 619	2 604 388
Loss on disposal/transfer of assets	356 928	5 186
Interest expense	88 088	245 407
Interest revenue	(4 422)	(7 261)
Revenue from transfer of immovable assets	(1 081 153)	(428 877)
Impairment on receivables	303 576	472 356
Bad debt written off	1 877	14 648
Reversal of impairment loss on receivables	(75 860)	(48 286)
Service-in-kind revenue	(27 164)	(36 938)
Service-in-kind expenditure	21 420	5 285
Losses incurred	62 234	57 212
Changes in working capital:		
Receivables from exchange transactions	(1 360 622)	(1 939 688)
Receivables from non-exchange transactions	(603)	186 423
Operating lease asset	186 456	69 081
Operating lease liabilities	(153 061)	(61 344)
Payables from exchange transactions	536 148	698 290
Provisions	354 973	594 087
Employee benefit obligations	20 238	152 973
Retention liabilities	22 391	42 282
Deferred revenue	190 841	164 409
	3 182 517	**3 192 508**

29. Budget differences

Reconciliation of budget to actual

	2016/17 R'000
Net cash flows from operating activities	3 182 517
Net cash flows from investing activities	(3 650 295)
	(467 778)
Cash deficit per Statement of Comparison of Budget and Actual Amounts	(464 637)
Deficit for the year	980 613
Basis difference	**515 976**

The difference between the cash surplus according to the Statement of Comparison of Budget and Actual Amounts and the Statement of Financial Performance relates to non-cash movements. The PMTE's approved budget was for the 12- month period ending 31 March 2017.

* Restated – see note 37 and note 38

29. Budget differences (continued)

Explanations of material variances between the actual amounts and the final budgeted amount

Accommodation charges – freehold intergovernmental

The revenue variance is largely attributable to intergovernmental accommodation charges invoiced for R217 million, which was not recovered from the client departments (primarily Correctional Services).

Construction revenue

Projected recoveries from construction contracts are budgeted for against state-owned accommodation charges. Revenue from construction contracts relating to non-state-owned assets is, however, recognised separately as construction revenue in the Statement of Financial Performance in accordance with GRAP. These contracts were identified during the 2016/17 annual financial statements process and related to the Department of Defence endowment properties. A separate budget allocation will be provided for in future for these non-state-owned assets.

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 is 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.

Construction costs

Projected expenditure from construction contracts is budgeted for against capital recoverable. Expenditure from construction contracts relating to non-state-owned assets is, however, recognised separately as construction costs in the Statement of Financial Performance in accordance with GRAP. These contracts were identified during the 2016/17 annual financial statements process and related to the Department of Defence endowment properties. A separate budget allocation will be provided for in future for these non-state-owned assets.

Planned maintenance

The budget is based on the planned projects roll-out of an extensive project portfolio. Considering the poor condition of the portfolio, the extent of the repairs to be done at the facilities is often underestimated. It is extremely challenging to accurately cost the project activities at inception.

Maintenance

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.

Property rates

Approval was given to settle outstanding debts on arrear rates resulting from the rates verification project. This resulted in substantial additional arrear payments being settled.

Municipal services expenditure

The 2016/17 allocation was reduced based on savings realised in 2015/16. Expenditure during 2016/17, however, increased significantly in the Cape Town and Pretoria regional offices as historical credit notes resulting from previous incorrect billing were exhausted.

Administrative goods and services

Underspending relates to unforeseen delays in the execution of various turnaround projects.

Compensation of employees

Compensation of employees was underspent following delays in populating the new structure.

29. Budget differences (continued)

Machinery and equipment

Underspending relates to ICT orders for data centre upgrades and the installation of UPS servers not being executed before year-end.

Capital recoverable

Slow expenditure occurred against the DPW Prestige, Defence, and Arts and Culture projects in the Cape Town and Pretoria regional offices, which led to the underspending on client infrastructure expenditure.

30. Contingencies

	2016/17 R'000	2015/16* R'000
Contingent liabilities		
Municipal services and property rates	60 544	60 544
Legal claims against the PMTE	88 183	67 358
Projects	6 394	–
	155 121	**127 902**

Municipal services and property rates

The DPW embarked on Phase II Invoice Verification Project to verify claims made by local municipalities on arrear municipal debts. The project involved a detailed investigation of claims with local municipalities to ensure that only valid claims are settled. 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, as well as litigations regarding cancellations of rental leases. 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.

Projects

Certain projects have reached final completion status; however, there are disputes regarding the final remeasurements and/or contractual penalties between the contractor, the quantity surveyor and the PMTE. No legal action was taken by any stakeholder at the end of the reporting period. The figure disclosed represents the remaining commitment, after deducting any retentions and accruals at the reporting date.

	2016/17 R'000	2015/16* R'000
Contingent assets		
Municipal services and property rates	828	828
Municipal services - shared savings	75 930	–
Legal claims by the PMTE	193 436	179 134
Retentions and variable contract guarantees	45 742	126 215
Recoverable property rates	–	Undefined
Property, plant and equipment	Undefined	Undefined
	315 936	**306 177**

* Restated – see note 37 and note 38

30. Contingencies (continued)

Municipal services and property rates

The DPW embarked on Phase II Invoice Verification Project to verify claims made by local municipalities on arrear municipal debts. The project involved a detailed investigation of claims with local municipalities to ensure that only valid claims are settled. For further details, refer to note 16.

Municipal services – shared savings

The PMTE has embarked on a project with service providers to increase usage efficiencies of energy and water, resulting in direct and indirect monetary savings to the relevant client departments. The service providers' interventions have reduced their municipal services consumption, which is a direct saving against the client departments' budgets. In addition, the interventions, entered into by the service provider, have identified billing errors against the client departments' municipal accounts. These errors have been corrected and the client departments have enjoyed the refunds directly against their municipal accounts. The invoices from the service providers for the interventions undertaken are in the process of being discussed with the relevant client departments for reimbursement purposes.

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 Department's legal team 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. However, management did 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's management has the intention to recoup these amounts on future payments. However, contractors may not be willing to accept a 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.

Recoverable property rates

The PMTE is currently paying for property rates on properties of which it is not the registered custodian. In the previous financial period, properties to the value of R90 million were disclosed to be still under investigation. During the current financial period, the process has been concluded and all properties rates have been accounted for accordingly.

Property, plant and equipment

There are 164 land parcels where the PMTE is working with the Office of the Surveyor-General to obtain the required data in order to enable the recognition of the relevant assets where applicable.

31. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

	2016/17 R'000	2015/16* R'000
Opening balance	246 736	261 461
Fruitless and wasteful expenditure - relating to current year	119	66
Fruitless and wasteful expenditure - relating to prior year	38	–
Less amounts reversed	(147 619)	(14 791)
	99 274	**246 736**

An amount of R106 million currently included in property, plant and equipment (refer to note 7), was discovered as potential fruitless and wasteful expenditure, which management still needs to validate in line with the National Treasury Guideline on Fruitless and Wasteful Expenditure and the Policy on Management of Financial Misconduct. The validation will be completed in the 2017/18 financial year and appropriate disclosures will be made.

Fruitless and wasteful expenditure relating to the current year amount of R119 000 and prior year amount of R38 000 relates to instances where accommodation was reserved, but not utilised and interest paid on overdue accounts.

The amount reversed of R147 million relates to transactions previously classified as fruitless and wasteful expenditure where rentals were paid on unoccupied buildings for various reasons and the amounts are recoverable from client departments. Management later found that these transactions did not meet the definition of fruitless and wasteful expenditure.

Details of fruitless and wasteful expenditure – discovered in the current year

	2016/17 R'000	2015/16* R'000
Accommodation not utilised	–	5
Interest paid on overdue accounts	114	33
Transport costs	5	–
	119	**38**

* Restated – see note 37 and note 38

32. Irregular expenditure

	2016/17 R'000	2015/16* R'000
Reconciliation of irregular expenditure		
Opening balance	5 147 987	31 985 176
Add: Irregular expenditure – current year	11 058	509 676
Add: Irregular expenditure – prior year	257 116	725
Less: Amounts condoned – current year	–	(90 212)
Less: Amounts condoned – prior years	(359 409)	–
Less: Amounts not recoverable (not condoned)	(1 351 493)	(27 257 378)
	3 705 259	**5 147 987**

Investigations into instances of confirmed irregular expenditure is an ongoing process. Where investigations have been concluded and officials have been found liable, appropriate action is taken by management in line with the National Treasury Guidelines on Irregular Expenditure and the approved Policy on Management of Financial Misconduct.

Prior year amounts condoned relate to transactions where consultants in construction were appointed in terms of the authorised Roster Consultant System.

Preliminary investigations into amounts not recovered (not condoned) found no instances of fraudulent activities. After extensive discussions with 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. Factors considered were that goods and services were in fact delivered to the Department and the involved officers were no longer employed by the Department. These transactions were identified long after the events had taken place and not in the year in which the irregularity had occurred.

An amount of R29 million was discovered as potential irregular expenditure, which management still needs to validate in line with the National Treasury Guidelines on Irregular Expenditure. The validation will be completed in the 2017/18 financial year and appropriate disclosures, where necessary, will be made.

Details of irregular expenditure

	2016/17 R'000
Correct procurement process not followed in prior year	215 562
Accrued expenditure on transactions emanating from inappropriate procurement processes	41 554
Appropriate approval not obtained from delegated authority	11 058
	268 174

The amount of R257 million incurred in the current year relates to various multi-year contracts where correct procurement processes were not followed in the previous years.

An amount of R11 million incurred in the current year relates to emergency procurement of maintenance work performed at various buildings, for which approval was either not obtained or granted by the delegated authority.

* Restated – see note 37 and note 38

32. Irregular expenditure (continued)

Details of irregular expenditure not recoverable (not condoned)

	2016/17 R'000
Correct process not followed in prior years	(1 081 999)
Prior period errors	(269 494)
	(1 351 493)

Roster appointments relate to a database of professionals appointable by the Department as and when the Department embarked on construction projects. In the previous financial years, the database was found to not have complied with the quotation requirements of National Treasury. The incident was condoned by the Accounting Officer as the delegated authority in line with the approved Policy on Management of Financial Misconduct in the previous financial year.

Details of irregular expenditure – prior year amounts condoned

	2016/17 R'000
Roster appointments	(359 409)

Roster appointments relate to a database of professionals appointable as lead consultants on projects. This dispensation was not compliant with National Treasury's prescripts relating to quotation thresholds. The incident was condoned by the Accounting Officer in the previous financial year.

33. Financial instruments disclosure

Categories of financial instruments

	2016/17 R'000	2015/16* R'000
Financial assets at amortised cost		
Receivables from exchange transactions	3 585 627	2 959 619
Cash and cash equivalents	2 934	3 982
	3 588 561	**2 963 601**
Financial liabilities at amortised cost		
Bank overdraft	1 932 441	1 468 852
Payables from exchange transactions	2 707 783	2 248 669
Retention liabilities	322 027	299 636
Finance lease obligation	16 739	11 607
	4 978 990	**4 028 764**

* Restated – see note 37 and note 38

34. Risk management

Financial risk management

The PMTE’s activities expose it to a variety of financial risks, comprising of market risk (including interest rate risk), credit risk and liquidity risk.

The Director-General, as the Accounting Officer, is responsible for strategic risk management. The Audit Committee provides oversight over the risk management. The PMTE has a risk management strategy that has been developed in terms of 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's 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 to these tolerance levels. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the PMTE's 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's risk management strategy rests with the management. Internal Audit provides reviews of management's compliance to the risk management processes within the PMTE. Internal Audit reports to management and the Audit Committee on a regular basis.

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 14 respectively. Operating lease payments for vehicles increase 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.

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 2 597 active leases (2016: 2 459) 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.

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2017	Note	1 month R'000	2–12 months R'000	2 years R'000	3 years R'000	>3 years R'000	Total R'000
Bank overdraft	6	1 932 441	-	-	-	-	1 932 441
Accrued expenses – Assets	12	390 392	-	-	-	-	390 392
Accrued expenses – Cleaning and gardening	12	17 157	-	-	-	-	17 157
Accrued expenses – Leases	12	418 819	-	-	-	-	418 819
Accrued expenses – Maintenance	12	468 259	-	-	-	-	468 259
Accrued expenses – Municipal services	12	1 001 975	-	-	-	-	1 001 975
Accrued expenses – Other	12	99 564	-	-	-	-	99 564
Accrued expenses – Property rates	12	76 743	-	-	-	-	76 743
Accrued expenses – Schedule maintenance	12	227 035	-	-	-	-	227 035
Accrued expenses – Security	12	3 381	-	-	-	-	3 381
Income received in advance – leases	12	539 251	-	-	-	-	539 251
Retention liabilities	13	175 405	108 412	14 870	23 340	-	322 027
Capital commitments – Projects		786 260	1 412 814	591 358	150 366	148 476	3 089 274
Operating maintenance commitments – Projects		1 001 333	3 328 768	1 591 753	559 244	59 794	6 540 892
Agency commitments – Projects		65 846	141 266	20 670	2 184	151	230 117
		7 203 861	**4 991 260**	**2 218 651**	**735 134**	**208 421**	**15 357 327**
2016 restated							
Bank overdraft	6	1 468 852	-	-	-	-	1 468 852
Accrued expenses – Assets	12	252 819	-	-	-	-	252 819
Accrued expenses – Cleaning and gardening	12	20 841	-	-	-	-	20 841
Accrued expenses – Leases	12	326 860	-	-	-	-	326 860
Accrued expenses – Maintenance	12	586 367	-	-	-	-	586 367
Accrued expenses – Municipal services	12	720 529	-	-	-	-	720 529
Accrued expenses – Other	12	190 790	-	-	-	-	190 790
Accrued expenses – Property rates	12	33 832	-	-	-	-	33 832
Accrued expenses – Schedule maintenance	12	109 704	-	-	-	-	109 704
Accrued expenses – Security	12	5 563	-	-	-	-	5 563
Income received in advance – leases	12	510 835	-	-	-	-	510 835
Trade payables	12	2	-	-	-	-	2
Retention liabilities	13	161 279	116 976	14 395	1 283	5 703	299 636
Capital commitments – Projects		1 388 617	3 303 226	804 134	235 819	35 648	5 767 444
		5 776 890	**3 420 202**	**818 529**	**237 102**	**41 351**	**10 294 074**

34. Risk management (continued)

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 they relate to transactions with other government departments and institutions is actively managed where there are disagreements about intergovernmental 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 specific client department.

Amounts that are neither past due nor impaired are considered to be recoverable as they relate 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.

	2016/17 R'000	2015/16* R'000
Cash and cash equivalents	2 934	3 982
Receivables from exchange transactions	3 585 627	2 959 619
Receivables from non-exchange transactions	66	1 596
Operating lease asset	713 292	899 747
	4 301 919	**3 864 944**

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 its Paymaster-General account at the Reserve Bank.

The PMTE is exposed to changes in the interest rate applicable to debt owed by the state and is intrinsic to the business. National Treasury determines this rate and manages the risk on behalf of national government.

* Restated – see note 37 and note 38

35. 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 are considered to be related parties.

The PMTE performs property management services for the state-owned and leasehold immoveable 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 they relate to the PMTE's operating activities as these liabilities will be settled using the PMTE's 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 are no more or 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's legal mandate and that meet the exemption criteria, is included in note 17 (accommodation charges – leasehold intergovernmental and management fees on municipal services).

National Department of Public Works

	2016/17 R'000	2015/16* R'000
Revenue from exchange transactions		
Accommodation charges - Freehold intergovernmental	5 000	–
Revenue from non-exchange transactions		
Augmentation	3 389 448	3 524 652
Goods and service in-kind	27 164	36 938
	3 416 612	**3 561 590**

The related party payables above are unsecured and are expected to be settled within the normal course of business.

The PMTE receives free services from the DPW. Overhead costs that can be measured reliably 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

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

* Restated – see note 37 and note 38

35. Related parties (continued)

In addition, the DPW and the PMTE share the service cost of certain special interventions entered into in support of the turnaround 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 the benefit or disadvantage received. The full amount of the revenue transaction is disclosed in note 17. The related receivables (accommodation debtors – freehold intergovernmental) is disclosed in note 3.

	2016/17 R'000	2015/16* R'000
Revenue from exchange transactions:		
Accommodation charges – freehold intergovernmental		
Agriculture, Forestry and Fisheries	99 290	86 340
Arts and Culture	40 405	35 134
Telecommunications and Postal Services	1 006	875
Correctional Services	1 023 940	973 655
Defence and Military Veterans	975 741	915 108
Higher Education	842	732
Environmental Affairs	20 286	17 640
Government Communications	32	28
Government Pension Administration Agency	32 034	–
Health	15 685	13 639
Health (Civitas)	85 823	80 965
Home Affairs	48 403	42 090
Human Settlement	514	447
Independent Complaints Directorate	379	360
Justice and Constitutional Development	360 542	346 645
Labour	56 874	49 455
Rural Development and Land Reform	32 150	29 976
Minerals	3 143	2 733
National Treasury	5 887	5 119
National Treasury – SARS	33 338	28 990
Public Services and Administration	48 520	17 610
SA Police Services	1 207 536	1 146 758
Social Development	548	477
Sports and Recreation	12	10
Statistics South Africa	4 672	5 155
Trade and Industry	37	32
Water and Sanitation	137 450	120 803
	4 235 089	**3 920 776**

* Restated – see note 37 and note 38

35. Related parties (continued)

	2016/17 R'000	2015/16* R'000
Gross receivables from exchange transactions:		
Accommodation debtors – freehold intergovernmental		
Agriculture, Forestry and Fisheries	24 822	–
Arts and Culture	–	8 784
Correctional Services	255 989	–
Defence and Military Veterans	–	737
Health (Civitas)	–	33 735
Independent Compliants Directorate	189	–
International Relations and Cooperation	7 258	7 258
Justice and Constitutional Development	1	1
Public Service and Administration	12 130	65
Rural Development and Land Reform	1	1
Sports and Recreation	3	–
Statistics South Africa	18	941
Telecommunications and Postal Services	251	–
Trade and Industry	79	60
	300 741	**51 582**
Impairment relating to receivables from exchange transactions		
Agriculture, Forestry and Fisheries	2 658	–
Arts and Culture	–	1 076
Correctional Services	27 410	–
Defence and Military Veterans	–	112
Health (Civitas)	–	4 745
Independent Compliants Directorate	25	–
International Relations and Cooperation	7 258	7 258
Justice and Constitutional Development	1	1
Public Service and Administration	12 130	8
Rural Development and Land Reform	1	1
Statistics South Africa	3	130
Telecommunications and Postal Services	27	–
Trade and Industry	62	5
	49 575	**13 336**

* Restated – see note 37 and note 38

35. Related parties (continued)

The PMTE incurs 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 are therefore considered to be 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.

	2016/17 R'000	2015/16* R'000
Expenditure		
Arts and Culture	15 871	8 620
Correctional Services	797	–
Defence	491	462
Justice and Constitutional Development	166 672	156 699
National Treasury – SARS	–	484
South African Police Services	–	38
	183 831	**166 303**
Accruals raised		
Arts and Culture	1 756	98
Correctional Services	797	–
Defence	491	–
Justice and Constitutional Development	8 026	13 626
National Treasury – SARS	–	484
South African Police Services	–	38
	11 070	**15 136**

* Restated – see note 37 and note 38

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Remuneration of management

	Official	Basic salary	Non-pensionable salary	Service bonus	Post-employment benefits	Other short-term benefits	Total
2017		R'000	R'000	R'000	R'000	R'000	R'000
Employees: Regional Managers							
Bloemfontein (Acting)	Mr D Gqibela	560	57	47	73	288	1 025
Cape Town	Mr F Johnson	849	121	70	127	52	1 219
Durban	Mr N Vilakazi	645	292	54	83	41	1 115
Johannesburg	Adv J Monare	713	159	61	114	158	1 205
Kimberley (Acting)	Mr S Mabinja	569	201	47	74	176	1 067
Mmabatho	Mr R Matlala	692	207	57	90	193	1 239
Mthatha (Acting)	Mr R Mabandla	571	148	–	96	24	839
Nelspruit	Mr P Mashiane	751	357	–	120	153	1 381
Polokwane	Mr M Ntshani	851	88	70	119	178	1 306
Port Elizabeth	Mr J van der Walt	798	405	–	126	23	1 352
Pretoria (Acting)	Mr M Dondashe	604	324	–	79	75	1 082
Employees: Other officials							
Chief Director: Construction Management Inland	Mr W Hlabangwane	822	342	67	107	133	1 471
Chief Director: PMTE Financial Planning	Ms J Prinsloo	696	293	57	112	2	1 160
EXCO Members: Head of units							
Head of PMTE	Mr P Serote	3 000	–	–	–	–	3 000
Construction Project Management	Mr C Lombaard	222	95	–	–	60	377
Small Harbours	Mr M Govender	908	196	12	118	95	1 329
Real Estate Registry Services	Ms B Matthews	1 031	442	–	–	5	1 478
Supply Chain Management	Ms A Chowan	913	273	–	119	–	1 305
Exco Members: Deputy Director General							
Real Estate Management Services (Acting)	Mr M Sithole	542	80	–	71	215	908
Asset Investment Management (Acting)	Mr P Chiaspasco	837	172	69	117	196	1 391
Planning and Precinct Development	Mr S Subban	915	126	76	119	81	1 317
User Demand Management	Mr P Mabuza	784	326	65	102	30	1 307
User Demand Management (Acting)	Mr B Kgasoane	378	145	53	68	26	670
Project Management	Ms K Khumalo	74	32	–	–	–	106
Project Management Office	Mr M Thobakgale	916	366	–	–	87	1 369
Facilities Management	Mr P Maroga	1 031	442	–	–	–	1 473
Technical Finance Expert	Ms B van der Merwe	911	391	–	–	5	1 307
		21 583	**6 080**	**805**	**2 034**	**2 296**	**32 798**

* Restated – see note 37 and note 38

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Remuneration of management

	Official	Basic salary	Non-pensionable salary	Service bonus	Post-employment benefits	Other short- term benefits	Total
2016		**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Employees: Regional Managers							
Bloemfontein (Acting)	Mr D Gqibela	574	119	56	107	182	1 038
Cape Town	Mr F Johnson	775	105	65	117	56	1 118
Durban	Mr S Semilane	584	239	49	95	7	974
Johannesburg	Adv J Monare	644	125	54	105	174	1 102
Kimberley	Ms S Moholo	652	285	72	96	83	1 188
Mmabatho	Mr R Matlala	626	177	52	81	262	1 198
Mthatha	Mrs N Tukela	626	284	52	81	1	1 044
Nelspruit	Mr P Mashiane	645	300	-	105	179	1 229
Polokwane	Mr M Ntshani	730	61	61	103	184	1 139
Port Elizabeth	Mr J van der Walt	684	344	-	112	28	1 168
Pretoria (Acting)	Mr M Dondashe	386	207	-	50	58	701
Employees: Other officials							
Chief Director: Construction Management Inland	Mr W Hlabangwane	705	289	59	91	130	1 274
Chief Director: PMTE Financial Planning	Ms J Prinsloo	652	274	54	107	-	1 087
EXCO Members: Head of units							
Head of PMTE	Mr P Serote	2 500	-	-	-	-	2 500
Construction Project Management	Mr C Lombaard	888	380	-	-	30	1 298
Small Harbours	Mr M Govender	888	191	74	115	35	1 303
Real Estate Registry Services	Ms B Matthews	1 001	429	-	-	57	1 487
Supply Chain Management	Ms A Chowan	127	39	-	17	-	183
EXCO Members: Deputy Director General							
Asset Investment Management (Acting)	Mr P Chiaspasco	774	159	65	109	200	1 307
Planning and Precinct Development	Mr S Subban	888	120	74	115	72	1 269
User Demand Management	Mr P Mabuza	761	315	63	99	45	1 283
Project and Professional Services (Acting)	Mr N Vilakazi	626	284	52	81	284	1 327
Project Management	Ms K Khumalo	889	380	-	-	77	1 346
Project Management Office	Mr M Thobakgale	809	113	-	-	282	1 204
Facilities Management	Mr P Maroga	243	104	-	-	-	347
Regional Co-ordination	Mr B Matutle	857	179	72	111	233	1 452
Technical Finance Expert	Ms B van der Merwe	74	32	-	-	-	106
		19 608	**5 534**	**974**	**1 897**	**2 659**	**30 672**

35. Related parties (continued)

Other short-term benefits comprise of housing allowance, travel allowance and bargaining council contributions. Post-employment benefits comprise of pension fund and medical aid contributions to a defined contribution plan.

Service contracts

Management renamed the following units during the 2016/17 financial period:

- Key Accounts Management was renamed User Demand Management
- Inner City Regeneration was renamed Planning and Precinct Development
- Project Management Office was renamed Construction Project Management
- Real Estate Facilities Management was renamed Small Harbours
- Property Management was renamed Facilities Management

During the 2016/17 financial period, the Regional Coordination Unit was disassembled as the direct line of sight principle was adopted.

The following key management officials were appointed for a period during the 2016/17 financial period:

Deputy Director-General: Real Estate Management Services (Acting)	9 months
Deputy Director-General: User Demand Management (Acting)	7 months
Deputy Director-General: Project Management	1 month
Head of Unit: Construction Project Management	3 months

The following key management officials were appointed during the 2015/16 financial period:

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

36. Events after the reporting date

Due to the economic recession and tight budgets approved by National Treasury, some client departments might experience a shortfall in their budget allocation for capital projects, which may negatively impact on the PMTE's performance. Projects may be cancelled in the coming financial periods due to insufficient funding. The PMTE is considering, together with client department, on a project-by-project basis, the reprioritsing of funds to finalise critical projects. This may also impact on the recoverability of expenses already incurred by the PMTE, which are recoverable from client departments. Management is unable to quantify the extent of this as yet.

37. 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 is summarised below with the details shown separately:

	2015/16 R'000
Statement of Financial Position	
Increase in receivables from exchange transactions	81 067
Decrease in operating lease asset	(42 633)
Decrease in property, plant and equipment	(2 933)
Increase in intangible assets	293
Decrease in bank overdraft	8 718
Increase in payables from exchange transactions	(141 853)
Increase in provisions	(822 675)
Increase in employee benefit obligations	(5 734)
Decrease in net assets	**(925 750)**
Statement of Financial Performance	
Increase in revenue from exchange transactions	5 260
Increase in revenue from non-exchange transactions	1 736
Decrease in depreciation, amortisation and impairments on assets	5 714
Increase in employee costs	(676)
Increase in impairment loss on receivables	(136 644)
Increase in interest expense	(148 773)
Decrease in operating leases	6 322
Increase in property maintenance	(168 632)
Increase in property rates	(37 915)
Increase in sundry operating expenses	(436 665)
Decrease in surplus	**(910 273)**
Decrease in opening accumulated deficit	**(15 477)**
	(925 750)

Restatement of accrued expenses

Due to the PMTE not having an appropriate system for recording accrual transactions, property maintenance 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.

	2015/16 R'000
Increase in payables from exchange transactions	**(168 987)**
Increase in property maintenance	**(168 987)**

37. Prior-period errors (continued)

Recognising long service awards provision

Management provided for the employee benefit entitled to officials for working in government and reaching the milestone of 20, 30 and 40 years of service respectively.

	2015/16 R'000
Increase in employee benefit obligations	**(5 734)**
Increase in employee costs	(676)
Decrease in opening accumulated surplus	(5 058)
	(5 734)

Correction of movable assets

Management identified errors in the movable asset register and its calculations. When transferring assets between PMTE and the DPW on the LOGIS system, some assets were transferred at incorrect purchasing prices. This error also affected the depreciation, amortisation, service in-kind revenue from non-exchange and service in-kind expense calculation for movable assets.

	2015/16 R'000
Decrease in property, plant and equipment	(2 933)
Increase in intangible assets	293
	(2 640)
Increase in revenue from non-exchange transactions	1 736
Decrease in depreciation and amortisation	5 714
Increase in sundry operating expenses	(5 285)
Increase in opening accumulated surplus	(4 805)
	(2 640)

Corrections of incorrect invoices processed, allocation of unallocated deposits and receivables from exchange

Management embarked on a process of validating the receivables' balance for the reporting period. This included clearing the unallocated deposits against the respective outstanding receivable or recognising the revenue in the Statement of Financial Performance. Erroneously captured invoices and credit notes against the receivables were rectified. In addition, pre-payments were correctly recorded and classified separately in the receivables from exchange transactions.

Management corrected invalid invoices that were processed on the system in the previous financial periods. These payments were rejected and remained as unpaid in the bank reconciliation. As a result of the correction, the bank overdraft and accounts payable were effected as indicated below.

37. Prior-period errors (continued)

	2015/16 R'000
Increase in receivables from exchange transactions	13 113
Decrease in payables from exchange transactions	27 134
Decrease in bank overdraft	8 718
	48 965
Decrease in operating leases	6 322
Increase in revenue from exchange transactions	8 594
Decrease in property maintenance	355
Decrease in sundry operating expenses	9
Increase in opening accumulated surplus	33 685
	48 965

Correction of municipal services and property rates provision

The verified municipal debt population used for the calculation of the provision for the 2015/16 annual financial statements did not take into account the constructive obligation of DPW to pay municipal rates for all national departments until the budget is officially moved to the other departments. It is anticipated that the budget will move to the respective departments, for the first time, for the 2018/19 financial year.

	2015/16 R'000
Increase in receivables from exchange transactions	67 954
Increase in provision	(822 675)
	(754 721)
Increase in impairment loss on receivables	(136 644)
Increase in interest expense	(148 773)
Increase in property rates	(37 915)
Increase in sundry operating expenses	(431 389)
	(754 721)

Correction of straight lining for freehold private leases

During the financial period, management identified calculation errors relating to the straight lining of freehold private leases.

	2015/16 R'000
Decrease in operating lease asset	**(42 633)**
Decrease in revenue from exchange transactions	(3 334)
Decrease in accumulated surplus	(39 299)
	(42 633)

38. Transfer of functions between entities under common control

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 that were 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.

Transfer of function effective from 1 April 2013

The PMTE acquired the following functions and the related assets and liabilities from the DPW:
- Asset Investment Management
- Property Management
- Facilities Management
- Key Account Management
- Regional Finance Units

Movements in provisional amounts relating to the above functions, consist of the following:

	Provisional amount as disclosed on 31 March 2016	GRAP adjustments	Amount as at 31 March 2017
	R'000	R'000	R'000
Assets			
Receivables from exchange transactions	106 797	–	106 797
Receivables from non-exchange transactions	86 143	–	86 143
Operating lease asset	65 986	–	65 986
Property, plant and equipment	112 070 204	14 702 019	126 772 223
Investment property	5 711 226	274 332	5 985 558
Heritage assets	610 746	35 257	646 003
Intangible assets	40 423	(5)	40 418
	118 691 525	**15 011 603**	**133 703 128**
Liabilities			
Employee benefit obligations	(84 225)	–	(84 225)
Payables from exchange transactions	(1)	–	(1)
Deferred revenue	(3 642 974)	(978 111)	(4 621 085)
Retention liabilities	165 277	(165 277)	–
Net gain on transfer of functions	**115 129 602**	**13 868 215**	**128 997 817**

Contingent liabilities transferred amounted of R11.6 million.

The extent of deemed cost applied to the following categories of assets amounts to: property, plant and equipment (R117 billion), investment properties (R5.7 billion) and heritage assets (R644 million).

Transfer of function effective 1 April 2015

Subsequent to the transfer of functions effective from 18 November 2013, the DPW transferred further functions to the PMTE in order to support the management of the PMTE's properties under the custodianship of the DPW.

The PMTE acquired the following functions and the related assets and liabilities from the DPW:
- Inner City Regeneration
- Projects and Professional Services
- Regional Coordination
- Supply Chain Management
- Regional Support and Regional Managers

38. Transfer of functions between entities under common control (continued)

Movements in provisional amounts relating to the functions transferred effective 1 April 2015 consist of the following:

	Provisional amount as disclosed on 31 March 2016	GRAP adjustments	Amount as at 31 March 2017
	R'000	R'000	R'000
Assets			
Receivables from non-exchange transactions	(68 794)	–	(68 794)
Property, plant and equipment	91 905	(10 859)	81 046
Intangible assets	6 624	(1 015)	5 609
	29 735	**(11 874)**	**17 861**
Liabilities			
Employee benefit obligations	(66 821)	–	(66 821)
Finance lease obligation	(9 134)	–	(9 134)
Net loss on transfer of functions	**(46 220)**	**(11 874)**	**(58 094)**

Effects of transfer of functions on the financial statements

The transfer of functions impacted on the financial statements as follows, on a cumulative basis as at 31 March 2016:

	2015/16 R'000
Statement of Financial Performance	
Revenue from exchange transactions	269 473
Revenue from non-exchange transactions	71 409
Construction revenue	440 227
Construction costs	(440 227)
Depreciation, amortisation and impairments on assets	(235 406)
Impairment loss on receivables	2 747
Property maintenance	(9 760 399)
Property rates	(2 747)
Sundry operating expenses	123 456
	(9 531 467)
Statement of Financial Position	
Receivables from exchange transactions	290 037
Property, plant and equipment	25 312 833
Investment property	434 850
Heritage assets	(683 205)
Intangible assets	(1 020)
Deferred revenue	(50 973)
Payables from exchange transactions	321 517
	25 624 039

38. Transfer of functions between entities under common control (continued)

Other information

The assets and liabilities transferred from the DPW were recognised at provisional amounts and adjusted annually to reflect the changes thereto. The following processes resulted in adjustments to the provisional amounts:

Identification of properties and conditional assessments

The PMTE utilised various service providers to assist with the physical verification of assets, including the identification of significant components in accordance with its asset management policy.

Deemed cost

The PMTE determined deemed cost for items of non-current assets transferred where the carrying amount of the items were not available on the transferred date.

For immovable assets (property, plant and equipment, heritage assets, and investment property), deemed cost was determined using the following hierarchy:

- Municipal valuations – where a municipal value was available, using the most recent municipal valuations dated closest to the transfer date, commencing with the 2013 valuations and onwards.
- Sales comparison values – where a recent sales value was available for a similar type of asset.
- Depreciated replacement cost – based on the recent building indices and extent of the properties adjusted for the current condition of the asset after considering the remaining useful life.

For movable assets, deemed cost was determined based on the value of similar assets.

Projects and expenditure relating to transfer of functions

Projects embarked on by the PMTE had to be analysed into projects relating to immovable assets transferred, projects conducted on behalf of other custodians and projects relating to maintenance. This enabled correct classification of assets-under-construction, construction contracts and maintenance. The assets-under-construction had to be further analysed to determine the projects that were recoverable in order to determine the revenue that had to be deferred until such projects were completed.

NOTES

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