DPW BID BRIEFING SESSION

BRIEFING SESSION FOR THE APPOINTMENT OF A SERVICE PROVIDER (SP) TO PRODUCE A COMPLETE, ACCURATE GRAP COMPLIANT IMMOVABLE ASSET REGISTER BY 31 MARCH 2016

23 OCTOBER 2013

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Purpose

The purpose of this presentation is to:

❑ Provide essential information to potential bidders concerning BID number **HP13/056** which was advertised on the **18th of October 2013**, closing on the **6th of November 2013**

❑ Respond to questions from prospective bidders

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Background

❑ DPW is the custodian of immovable assets comprising of approximately 39 812* land parcels.

❑ Land parcels comprise of vacant land and land with improvements.

❑ DPW, in conjunction with the Department of Rural Development and Land Reform (DRDLR) and Provincial custodians of immovable assets, is currently in the process of vesting state land in the name of National Government to meet the target date of 31 March 2016.
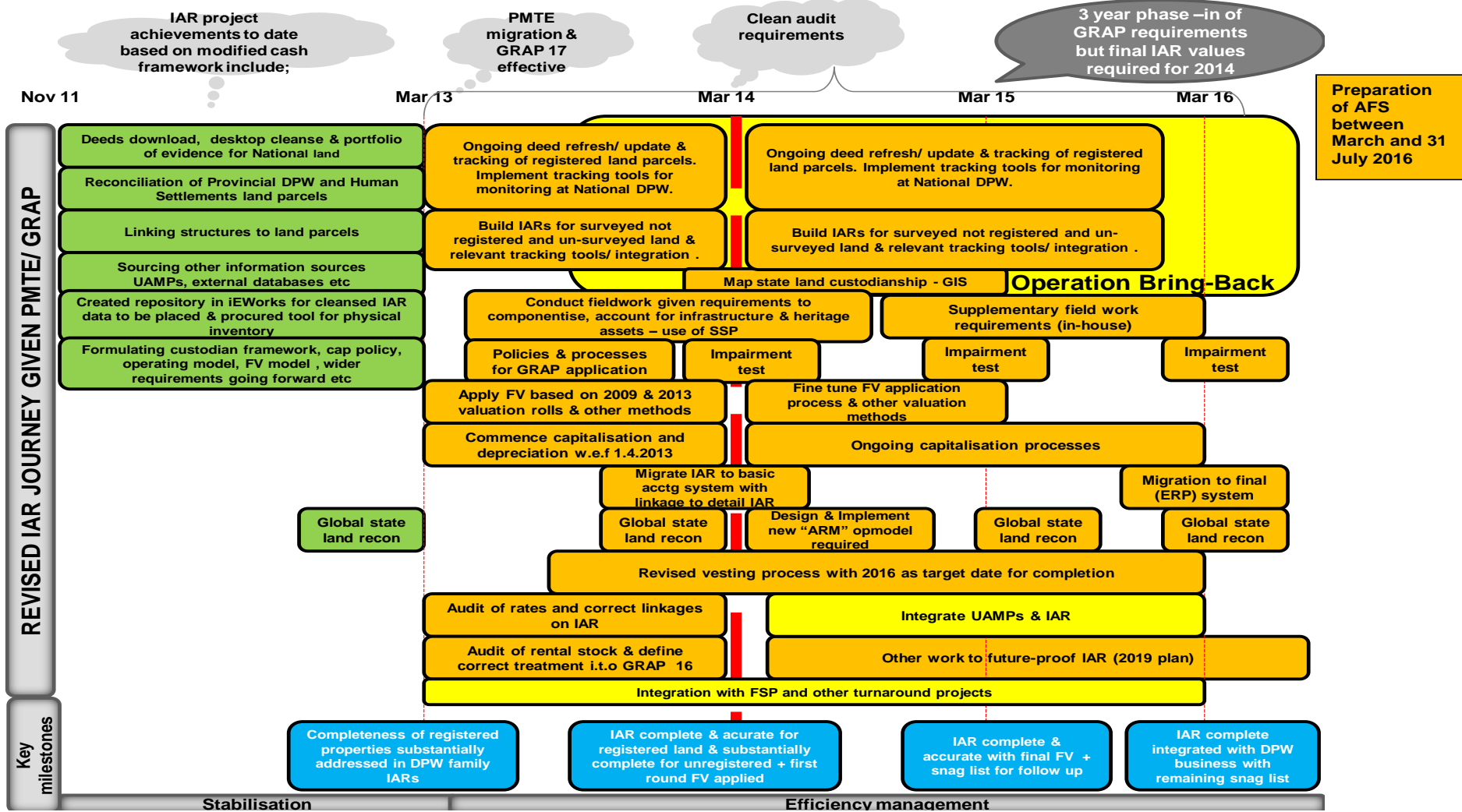
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Background

DPW Property Portfolio

REGION	LAND	RESIDENTIAL (improvements)	NON RESIDENTIAL (improvements)
BFN	2786	2801	3420
CT	5419	5884	6599
DBN	9437	4007	4940
JHB	3069	2521	2956
KBY	2776	1836	2903
MBT	3124	3907	3337
NEL	2908	2606	2399
PE	2139	1980	2970
PLK	4474	3510	4238
PTA	2833	3406	5619
UMT	847	839	1254
TOTAL	39 812	33 297	40 635

*Statistics as per DPW Reconciliation Process as at 31 March 2013. The number of properties will be confirmed upon the completion of the physical verification exercise and during on-going reconciliation against all relevant data sources.

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Background

❑ In addition to the property portfolio on previous slide, there are 46,185 land parcels reflected in DPW's Immovable Asset Register that is still pending the transfer to other National and Provincial custodians as per section 42 of the PFMA and other reconciliation mechanisms.

❑ In October 2011 DPW appointed a Programme Manager to manage the enhancement of its IAR. The current Programme Manager's term of office expires on 30 November 2013.

❑ A complete, accurate Immovable Asset Register (IAR) compliant with Generally Recognized Accounting Practices (GRAP) must be produced by the 31 March 2016.

❑ The appointed Service Provider will be required to provide inputs the note in preparation to the Annual Financial Statements (AFS).

❑ In preparation of the IAR, compliance to the PFMA, GIAMA and other relevant regulatory frameworks and guidelines on immovable assets is of paramount importance.

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Revised IAR Journey Given PMTE / GRAP

IAR project achievements to date based on modified cash framework include;

PMTE migration & GRAP 17 effective

Clean audit requirements

3 year phase –in of GRAP requirements but final IAR values required for 2014

Nov 11   Mar 13   Mar 14   Mar 15   Mar 16

Preparation of AFS between March and 31 July 2016

REVISED IAR JOURNEY GIVEN PMTE/ GRAP

- Deeds download, desktop cleanse & portfolio of evidence for National land
- Reconciliation of Provincial DPW and Human Settlements land parcels
- Linking structures to land parcels
- Sourcing other information sources UAMPs, external databases etc
- Created repository in iEWorks for cleansed IAR data to be placed & procured tool for physical inventory
- Formulating custodian framework, cap policy, operating model, FV model , wider requirements going forward etc

- Ongoing deed refresh/ update & tracking of registered land parcels. Implement tracking tools for monitoring at National DPW.
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- Build IARs for surveyed not registered and un-surveyed land & relevant tracking tools/ integration .
- Build IARs for surveyed not registered and un-surveyed land & relevant tracking tools/ integration .

- Map state land custodianship - GIS

Operation Bring-Back

- Conduct fieldwork given requirements to componentise, account for infrastructure & heritage assets – use of SSP
- Supplementary field work requirements (in-house)

- Policies & processes for GRAP application
- Impairment test
- Impairment test
- Impairment test

- Apply FV based on 2009 & 2013 valuation rolls & other methods
- Fine tune FV application process & other valuation methods

- Commence capitalisation and depreciation w.e.f 1.4.2013
- Ongoing capitalisation processes

- Migrate IAR to basic acctg system with linkage to detail IAR
- Migration to final (ERP) system

- Global state land recon
- Global state land recon
- Design & Implement new "ARM" opmodel required
- Global state land recon
- Global state land recon

- Revised vesting process with 2016 as target date for completion

- Audit of rates and correct linkages on IAR
- Integrate UAMPs & IAR

- Audit of rental stock & define correct treatment i.t.o GRAP 16
- Other work to future-proof IAR (2019 plan)

- Integration with FSP and other turnaround projects

Key milestones

- Completeness of registered properties substantially addressed in DPW family IARs
- IAR complete & acurate for registered land & substantially complete for unregistered + first round FV applied
- IAR complete & accurate with final FV + snag list for follow up
- IAR complete integrated with DPW business with remaining snag list

Stabilisation   Efficiency management

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Problem Statement

❑ The department has received consecutive qualified audit opinions since 2008/09 and disclaimed audit opinions for 2010/11 financial years by AG on both DPW and Property Management Trading Entity.

❑ The discrepancies identified during the reconciliation of National and Provincial IARs against Deeds records has proven a major challenge, requiring urgent attention. A few challenges identified amongst others, are the completeness of the Deeds data, the dual ownership of immovable assets where properties are registered in more than one Title holders' name, etc.

❑ Verification of land and buildings should be conducted on all properties including State Domestic Facilities (e.g. Police stations, magistrate courts etc.) that are situated on private land vice versa.

❑ DPW's IAR function has been transferred from DPW to PMTE with effect from 01 April 2013. This will require a dedicated team to ensure a complete and accurate GRAP compliant IAR to be prepared.

❑ Currently not all Information Technology business systems within the Department are interlinked nor to any accounting/financial management platform:

   ❑ Property Management Information System (PMIS): is used to make property related payments in terms of day- to- day maintenance, leases and municipal services.

   ❑ Works Control System (WCS): is used to manage construction and maintenance projects from planning to completion.

   ❑ iE-Works: is used to process property rates payments to municipalities. There are concerns regarding the control environment and ability to make payments against correct properties in the asset register.

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Problem Statement

- ❑ DPW is in the process of migrating data from PMIS to iE-Works as the preferred upgraded platform.
- ❑ Lack of integrated business processes within DPW poses a challenge in the management of immovable asset register.

❑ The current organogram structure is not streamlined to support business needs. A more streamlined structure must be developed, grouping the elements, knowledge areas and functions to provide a more efficient and effective service delivery to clients. Also, issues of inadequate capacity both in terms of personnel, knowledge and competencies within the IAR environment require urgent attention.

❑ The non-existence of an Immovable Asset Management Policy and Asset Investment Management Framework has impacted on business needs, which has resulted in inefficiencies. A dedicated team of specialists is required to focus on the importance of the implementation of the Immovable Asset Management Policy, and governance frameworks to deliver adequate solutions relevant to IAR.

Scope of Work

❑ The appointed Service Provider is expected to produce a complete, accurate Immovable Asset Register (IAR) compliant with GRAP by the 31st of March 2016, and prepare accurate Annual Financial Statements (AFS) up to 31 July 2016. In addition, compliance to PFMA, GIAMA and other relevant regulatory frameworks and guidelines on immovable assets is of paramount importance

❑ The IAR programme's key milestones have been set as follows:

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Scope of Work

Year	Key milestones	Deadline
2013/14	• Business process re-engineering and design of Organogram structure (long term and interim) for IAR designed and provision of implementation support	• 31 March 2014
	• IAR complete for registered land & substantially complete for unregistered land parcels including all State Domestic Facilities under the custodianship of DPW	• 31 March 2014
	• Develop a framework for identification and accounting of State Domestic Facilities on private land and vice versa	• 31 March 2014
	• Physical verification information gathered, quality controlled and uploaded into iE-Works	• 31 March 2014
	• Application of the proposed fair value model on the initial recognition of immovable assets and Capitalisation of immovable assets	• 01 April 2013 – 31 March 2014
	• Review of the Business Case for the vesting of State Land and implement vesting of DPW's land parcels o (13 122 land parcels)	• 31 March 2014

Scope of Work (continued)

Year	Key milestones	Deadline
2013/14	• Implementation of GRAP in relation to IAR with effect from 1 April 2013	• 31 March 2014
	• Develop the heritage assets guideline and Identify and update heritage properties on the IAR in alignment to the Immovable Asset Management Policy	• 31 March 2014
	• Review Operation Bring Back (OBB) strategy on the identification of State immovable assets that are unaccounted for/illegally occupied and ensure implementation	• 31 March 2014
	• Prepare guidelines and procedures for the identification and the scanning of relevant supporting documents for IAR disclosure	• 31 March 2014
	• Develop relevant guidelines and procedures for the IAR (e.g. acquisitions, disposals, capitalisation, impairment, etc.) in line with the Immovable Asset Management Policy	• 31 March 2014

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Scope of Work (continued)

Year	Key milestones	Deadline
2013/14	• Provide user requirements for the enhancement of the IT system to ensure GRAP compliance and sound internal controls	• 31 March 2014
	• Reconcile the IAR to the rates accounts to ensure rates are paid against correct properties	• 31 March 2014
2014/15	• IAR complete for unregistered land parcels including all state domestic facilities under the custodianship of DPW	• 31 March 2015
	• Continuation of a GRAP compliant IAR to be prepared quarterly for the AFS	• Quarterly (30 June 2014; 30 September 2014; 31 December 2014 and 31 March 2015)
	• Continuation of the fair value model application on the initial recognition of immovable assets and Capitalisation of immovable assets	• 31 March 2015
	• Implementation of the Business Case on vesting of State Land o 7000 land parcels	• 31 March 2015

Scope of Work (continued)

Year	Key milestones	Deadline
2014/15	• Verify and apply valuation model for heritage assets • All identified OBB transactions and anomalies investigated • Integrate User Asset Management Plans (U-AMP) with IAR to identify properties occupied by Users and update the IAR	• 31 March 2015 • 31 March 2015 • 31 March 2015
2015/16	• Vesting of land parcels under DPW custodianship completed o 7900 (including all properties that could have been identified in the financial year) • Final OBB report submitted to DPW • Integrate User Asset Management Plans (U-AMP) with IAR to identify properties occupied by Users and update the IAR • Fully GRAP compliant IAR to be prepared quarterly for the AFS	• 31 March 2016 • 31 March 2016 • 31 March 2016 • 31 March 2016 – 31 July 2016

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Deliverables

☐ In order to achieve the above, the service provider is expected to deliver on the following areas as specified below:-

	Work-stream/ Project description	Deliverable	Estimated completion date
1	**Physical assessment of defined properties using pre-programmed handheld devices** Regional DPW project managers who have already been appointed to verify and collate information and liaise with stakeholders identified in the regions	• Manage the Secondary Service Providers (SSPs); • Quality control information gathered by SSPs and ensure information uploaded into iE-Works is complete, accurate and GRAP compliant	31 March 2014
2	**Vesting of properties by DPW in line with Vesting guidelines and business case**	• Reconciliation of Vesting data • Establishment and operation of Bulk Vesting Implementation & operation of relevant tracking, evaluation and reporting systems	31 March 2016

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Deliverables (continued)

	Work-stream/ Project description	Deliverable	Estimated completion date
		• Vesting application forms for the identified properties submitted to Provincial State Land Vesting and Disposal Committee (PSLDVC) for approval. • Linkages with Provincial and other Custodians' Vesting projects • Reporting on Vesting progress for National and Provincial custodians	
3	**Operating Model (Organogram Structure)**	• Design (includes business requirements definition, solution architecture design and package selection) and support implementation for an appropriate Operating Model for IAR management function • Integration of the IAR Operating Model with the Organizational business plan, processes and system	31 March 2014

Deliverables (continued)

	Work-stream/ Project description	Deliverable	Estimated completion date
4	**Application of Fair Value to IAR**	• Design and apply Fair Value model in line with National Treasury requirements • Identify properties for alternative valuation methodologies (e.g. municipal values that are not available)	31 May 2015
5	**Accounting for Immovable Assets**	• Implementation of GRAP requirements relevant to IAR with effect from 1 April 2013 • Apply correct municipal rates to immovable assets • Update rental debtors master file in respect to immovable assets occupied by 3rd parties	31 March 2014, 2015, 2016 financial years
6	**Registered land parcels**	• Continuous updating of the IAR as reconciled against Deeds Registry • Deeds downloads and remediation of anomalies identified to date • Liaison with Provincial DPW's, Municipalities and other state land custodians • Tracking & monitoring National DPW reporting templates set up	31 March 2014, 2015, 2016 financial years

Deliverables (continued)

Work-stream/ Project description		Deliverable	Estimated completion date
7	**Unregistered land**	• Conduct research and design framework for treating State Domestic Facilities on non-state land • Implement operational requirements on the framework for State Domestic Facilities on non-state land	31 March 2014, 2015, 2016 financial years
8	**Property Rates**	• Global reconciliation of land parcels for National and Provincial custodians • DPW IAR linked to Property rates	31 March 2014
9	**Paper Trail**	• Ensure that all the relevant documents for DPW properties are scanned and saved • Provide relevant supporting documents for IAR disclosure as audit evidence	31 March 2014
10	**Heritage Properties**	• Develop the heritage assets guideline • Identify and update heritage properties on the IAR in alignment to the Immovable Asset Management Policy • Verify immovable assets and apply a unique valuation model for heritage assets	31 March 2015

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Deliverables (continued)

	Work-stream/ Project description	Deliverable	Estimated completion date
11	**Operation Bring Back (OBB)**	• Review Operation Bring Back strategy and ensure implementation • Conduct relevant investigations • Analyze and investigate outcomes from state land reconciliation exercises • Investigate all properties with Permission To Occupy and Build (PTOB) where transfer never took place • Identify properties which need to be transferred to other departments (e.g. DRDLR)	31 March 2015 31 March 2016
12	**Preparation of Annual Financial Statements for IAR**	• Provide inputs for AFS, produce Final Disclosure Note on IAR, and prepare responses to AGSA queries	31 March 2014 - 31 July 2016

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Deliverables (continued)

The successful Service Provider will also be required to:

❑ Review the existing programme as designed by the current PMO and DPW officials to produce a complete, accurate GRAP compliant IAR by 31 March 2016, and provide inputs for AFS, produce final disclosure notes for IAR and prepare responses to AGSA enquiries by 31 July 2016.

❑ Determine the level of completeness and compliance of the existing DPW Immovable Asset Register to GIAMA, PFMA, GRAP and related legislation and guidelines on immovable assets.

❑ Ensure that the IAR programme and the respective projects are aligned to other key projects in DPW in order to contribute to a clean audit outcome for the 2015/16 reporting cycle.

❑ Ensure effective communication with all relevant stakeholders, including presentations at various forums as and when required.

❑ Facilitate and monitor planning, quality control, technical and financial management of the programme.

❑ To certify their work before the deliverable is submitted to the Department.

❑ Report progress on a weekly and monthly basis.

❑ Ensure that skills are transferred to current DPW officials.

DPW resources
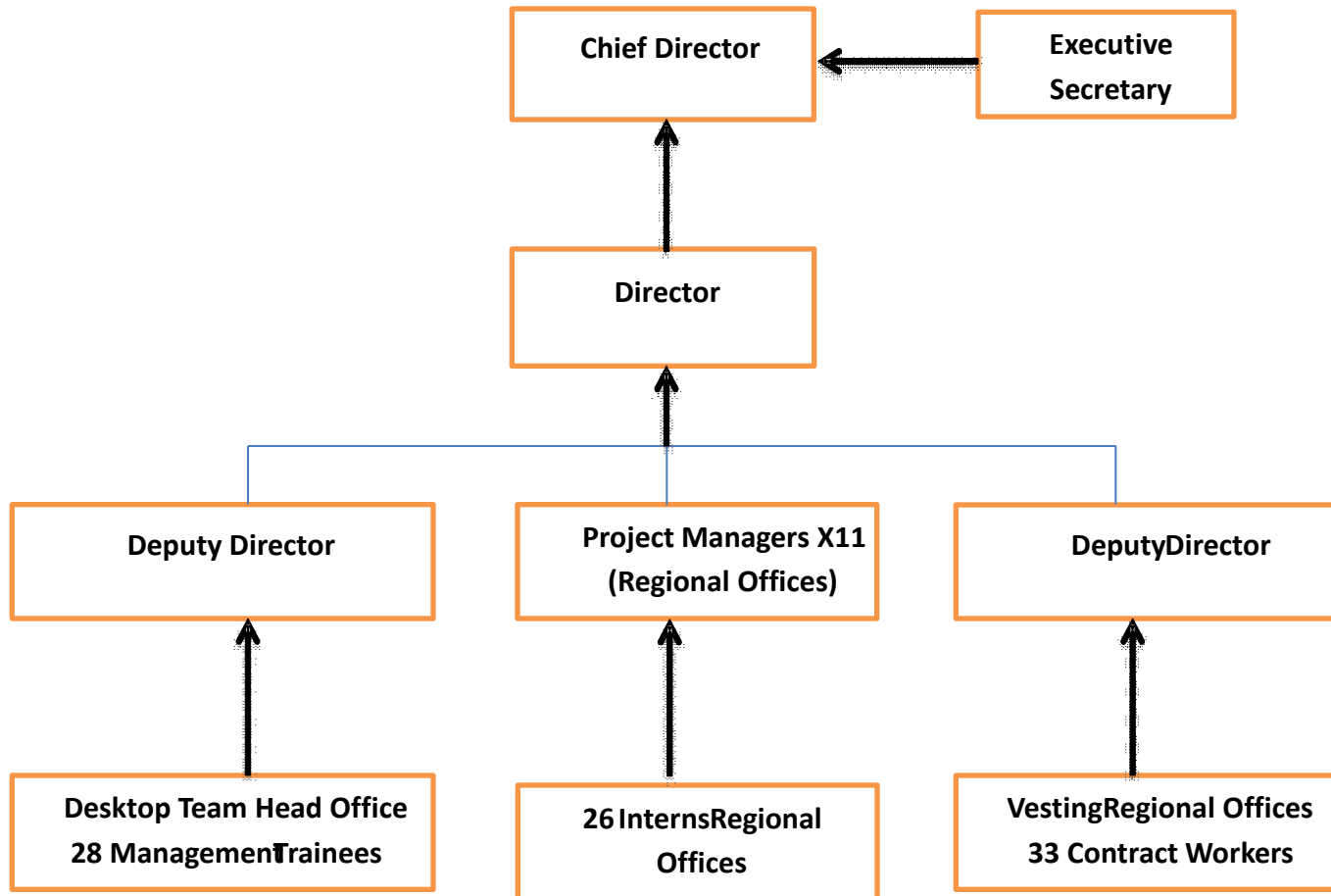
Qualifications, Experience and Resources

❑ Proof of expertise (certified formal qualifications) and experience of the Service Provider, Project Managers as well as for staff/individuals in the team who will be allocated permanently to the project, in Accounting, Asset Management, Property Management, Finance, Forensic and data management capabilities.

❑ Proven experience in the management of the enhancement of Immovable Asset Register(s).

❑ Sound understanding of GIAMA, PFMA, GRAP, and related legislation and guidelines on immovable assets.

❑ The successful bidder will be expected to provide at least 12 project managers including a geographical information system specialist who will be permanently allocated to the project until 31 July 2016. However, the duration period for the rates and operating model work-streams is six months.

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Time Frame

❑ The entire immovable asset register enhancement programme plan must be completed within 33 months from the date of appointment.

Contract Type

❑ The successful bidder will be contracted on the basis of General Conditions of Contract as per National Treasury (GCC, 2010).

Methodology

The bidder must (at own cost) prepare and submit a methodology to be applied in the execution of this project. The methodology must include:

❑ the bidders' understanding of the Terms of Reference (must be sound, professional, realistic, logical, and cost effective);

❑ a detailed position paper on the understanding of the State immovable assets legacy issues and challenges facing all government custodians of immovable assets;

❑ relevant property and accounting requirements;

❑ details of the deliverables for the project;

❑ resources required and allocated for the execution of the project;

❑ a detailed project execution plan;

❑ a project structure;

❑ implementation strategy (approach); and

❑ stakeholder engagement plan.

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Costing

❑ The costing for the project must be based on planned 12 Work-streams/Project descriptions as per section 4 above. Alignment to the milestones in paragraph 4 above must be considered in the costing of Work-streams/Project descriptions.

❑ All amounts stated (for services to be rendered or products to be developed) must be inclusive of value-added tax (VAT) and subsistence and travel allowance.

Confidentiality

❑ All information generated, communication produced, data acquired and any other material produced under the auspices of this project remains the intellectual property of DPW.

❑ The service provider will be bound by the same clause of confidentiality and code of ethics as applicable to officials of the public service.

Payment Terms

❑ All bidders must specify the cost for each deliverable separately, which will become the basis for payment for each deliverable.

❑ Each deliverable will be evaluated by the steering committee and on acceptance of such deliverable by the steering committee; the basis for payment becomes operative.

❑ DPW undertakes to pay all verified valid claims for work done to its required standard upon presentation of a substantiated claim and within 30 days after the submission of the invoice.

❑ No payments will be made where there is outstanding information/work or incorrect information provided by the service provider.

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THANK YOU

Secret