



DEPARTMENT OF PUBLIC WORKS
ANNUAL REPORT 2000/2001



Department of Public Works



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Annual Report
2000/2001



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Annual Report
2000/2001

Ms S.N. Sigcau
Minister of Public Works

Report to the Director-General of the National Department of Public Works for the period 1st April 2000 to 31 March 2001.

I have the honour to submit the annual report
of the Department of Public Works

T. Sokutu
Director-General: Department of Public Works

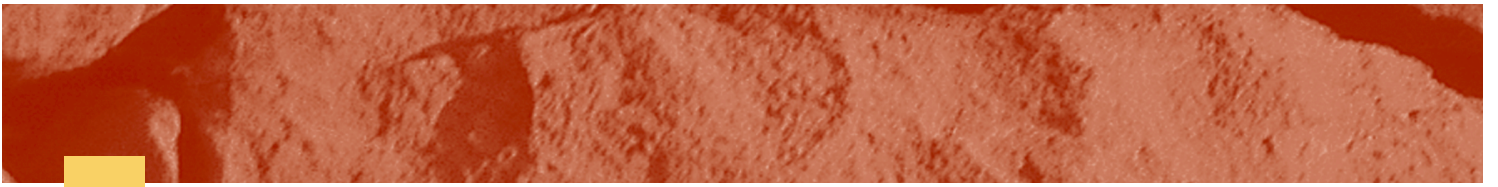


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Director-General's Overview

The management team of the department has committed itself to achieving the goals set by the Minister in January 2000. It was made quite clear by the Minister that we need to move away from a "business as usual" attitude, characterised by a lack of sense of urgency, lack of focus, bureaucratic processes, etc.


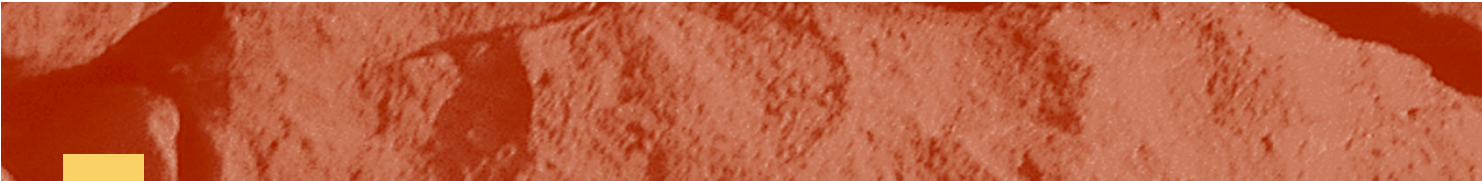
We started off by cutting down the number of steps it takes for a decision to be made. Whilst this is not yet fully satisfactory we have gone a long way towards addressing the issue. We have also embarked on an aggressive drive to ensure that we have the capacity we need to deliver on our mandate.

The department now has a clear focus on what must be achieved, highly motivated work teams, and a passion to succeed. While the department is still confronted with many challenges, there is a general acknowledgement that there is visible improvement in service delivery. There is significant improvement in Capital Works expenditure as well as "CBPWP in the current financial year, significant savings have been made in the leasing portfolio, detection rates for fraud and corruption are high". We are well on our way.

Many Challenges Lie Ahead

It is certain that the department has made significant strides towards operational efficiency. There are clear objectives for the next five years. In order to achieve them there are a number of challenges that need to be conquered:

- a) Building a centre of excellence staffed by highly qualified Project managers: This is critical to the success of the department. It is envisaged that one of the core capacity areas for the department in future will be specialisation in project managers, giving expert service to clients on the execution of projects, ensuring that we achieve the best value for taxpayers' money.
- b) Instilling passion in our employees for dedicated customer-centric approach: We would like clients to feel that they are cared for as customers whether they are in the most remote rural areas or in the most upmarket building in Pretoria. Nothing less will



be acceptable. This will require a lot of focussed training to achieve the paradigm shift from an organisation that is used to deciding on the utilisation of all capital funds to one that is driven by the needs of our clients.

c) Re-engineering our business processes, procedures and policies to improve our operational efficiency: We must evaluate every step in our business process, every procedure and every policy individually, and if any one of them does not add value, it must be discontinued with immediate effect.

d) Improvement of our financial control environment to ensure total compliance with the Public Finance Management Act (PFMA): We must continue the initiative to recruit appropriately qualified staff to drive our financial management. This will have to be accompanied by sound fiscal management practised by all line function managers working as one team.

e) Using Information Technology to add value to our business processes: In this modern world where by a touch of a button a series of commands can be given at once, our department needs to take advantage of what information technology can offer. We must offer our clients online information regarding their projects; we must be able to extract any information from our systems at the touch of a button.

The above challenges once overcome will ensure the successful transformation of the department.



Tami Sokutu
DIRECTOR-GENERAL
Date: 31 March 2001

ORGANOGRAM



MR TAMI SOKUTU
DIRECTOR GENERAL OF THE
DEPARTMENT OF PUBLIC WORKS



MS LYDIA BICI
DEPUTY DIRECTOR GENERAL
NATIONAL PUBLIC WORKS PROGRAMME

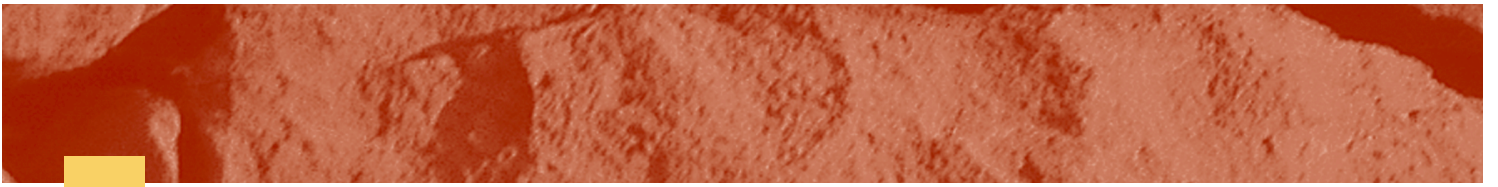


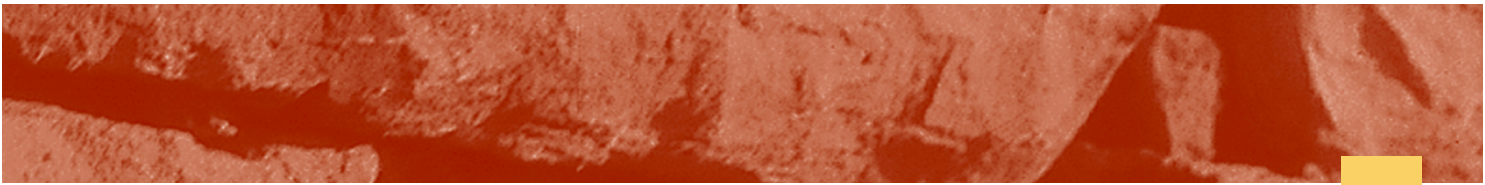
MR ANDILE SANGQU
DEPUTY DIRECTOR GENERAL
FINANCE AND CORPORATE SERVICES



MR DENNIS MOKOTEDI
DEPUTY DIRECTOR GENERAL
ASSET MANAGEMENT








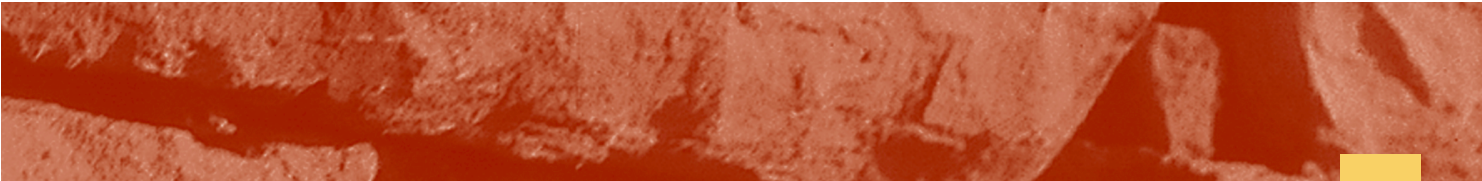
INTRODUCTION



REV. MUSA ZONDI
DEPUTY MINISTER
OF PUBLIC WORKS



MS STELLA SIGCAU, MP
MINISTER OF
PUBLIC WORKS



The vision and mission statement of the department links very well with what the President said at the opening of Parliament that this year be dedicated to “building unity in action for change”.

With that statement in mind the struggle against rural poverty and underdevelopment intensified in the year under review. This was evidenced by the stringent public appearance programme during which more than 20 communities were visited nationwide and poverty alleviation projects worth in excess of R80 million were either launched or personally handed over to the rural communities.

This was in direct response to the government’s clarion call to create a better quality of life for all South Africans. Solace was gained from the true and exemplary leadership displayed by the President Mr Thabo Mbeki. Defying his tight schedule, the President led from the front and on important occasions personally delivered some of the crucial infrastructure to the rural masses.


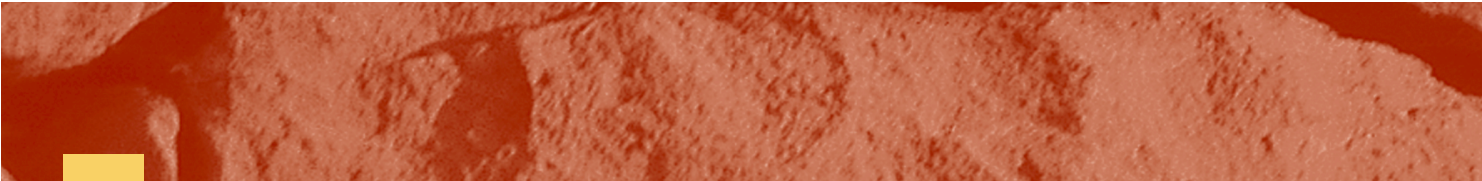
The launch of Community Production Centres at Ncora and Lambasi in the Eastern Cape became the hallmarks of anti-poverty and demonstrated to many that sustainable development within the rural context was both possible and achievable. This gave everybody hope.

Impetus was added to the public private partnership framework of government by among others the selfless support of organisations, notably the South African Breweries who continued to throw their weight behind Departmental special campaigns such as Clean and Green. Many poor communities benefited in terms of much cleaner environment and job opportunities brought by the initiative.



Talking about the Public Private Partnership, the signing of the Concession Agreements between the Department of Correctional Services and the private sector for the procurement of two of South Africa’s first ever prisons to be privately designed, financed, built, operated and maintained, further strengthened cooperative governance. The Department of Public Works midwived both deals through its Asset Procurement and Operating Partnership System (APOPS).

True to the Mintirho Ya Vula Vula pledge to improve and accelerate service delivery and make it readily available, the Department opened another regional office at Mafikeng in North West. This brings to two such offices opened in one calendar year, including other offices at Umtata in the Eastern Cape.


Capacity-building was emphasised both for the Regional offices and local government. They implement some of the programmes for delivery to happen.



As one chapter closes in efforts to create a better life, the other chapter opens up more challenges and opportunities, which our motivated and reinvorgated teams would seize with both hands in the New Year.



In the year ahead more co-ordination and co-operation with sister departments will be ensured as all will be driven by passion to succeed and excel.





VISION

To be a leader in Africa and the developing World in the provision and management of state property and implementation of National Public Works Programmes.

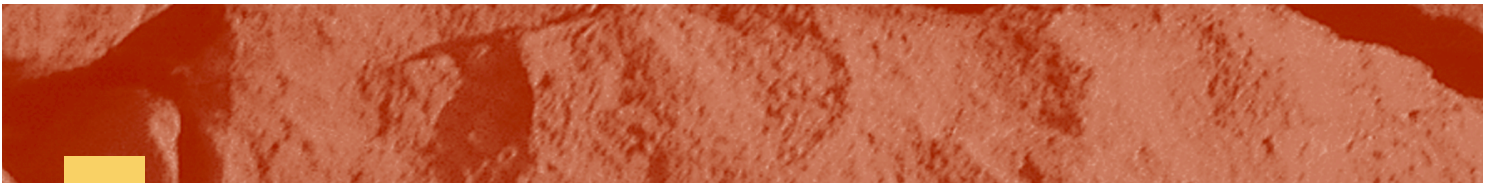
MISSION STATEMENT

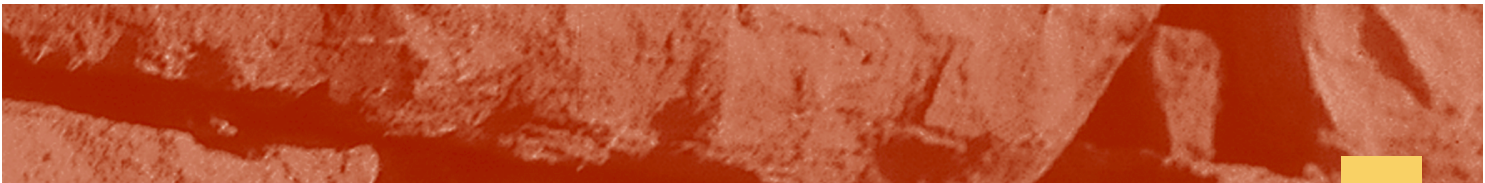
To ensure that the National state departments of South Africa have a built environment that meets their financial, technical and social requirements through the:

- **Provision, development and maintenance of accommodation**
- **Acquisition and disposal of state land**
- **Management and maintenance of the state property portfolio.**

To implement the National Public Works Programme by:

- **Creating assets through the Community Based Public Works Programme (CBPWP)**
- **Influencing and stabilising the construction and property industries and ensuring that infrastructure is provided in a way that creates jobs, empowers communities and develops human resources.**





ABBREVIATIONS



List of Abbreviations

A

ABE - Affirmable Business Enterprise
AIDS - Acquired Immune Deficiency Syndrome
APP - Affirmable Procurement Policy
APSP - Affirmable Professional Service Provider

B

BAIA - Business Approach to Internal Auditing

C

CASE - Community Agency for Social Enquiry
CBPWP - Community Based Public Works Programme
CBE - Council for Built Environment
CD - Chief Directorate
CET - Contracting Entrepreneurial Training
CETA - Construction Education and Training Authority
CGO - Central Government Offices
CIDB - Construction Industry Development Board
CIDP - Construction Industry Development Programme
CPC - Community Production Centre

D

DLA - Department of Land Affairs
DPW - Department of Public Works

E

EAP - Employee Assistance Programme
ECDP - Emerging Contractor Development Programme
EU - European Union



F

FMS - Financial Management System

G

GCIS - Government Communication and Information Systems

GG - Government Garage

H

HIV - Human Immune-Deficiency Virus

HRM - Human Resource Management

I

IDC - Industrial Development Corporation

IDTT - Inter-Departmental Task Team

ILO - International Labour Organization

ISRDS - Integrated and Sustainable Rural Development Strategy

IT - Information Technology

K

KPI - Key Performance Indicator

L

LOGIS - Logistical Information Service

M

MANCO - Management Committee

MMIS - Management Monitoring Information System

MPCC - Multi Purpose Community Centre

MTEF - Medium Term Expenditure Framework



O

OHSA - Occupational Health and Safety Act

P

PDI - Previously Disadvantaged Individual

PERSAL - Personnel and Salary System

PFMA - Public Finance Management Act

PIA - Programme Implementing Agent

PMIS - Property Management Information System

PUG - Primary User Group

R

RAMP - Repair and Maintenance Programme

RPL - Recognition of Prior Learning

S

SAB - South African Breweries

SANDF - South African National Defence Force

SITA - State Information Technology Authority

SLA - Service Level Agreement

SOC - System Owners Committee

SPI - Strategic Projects Initiative

T

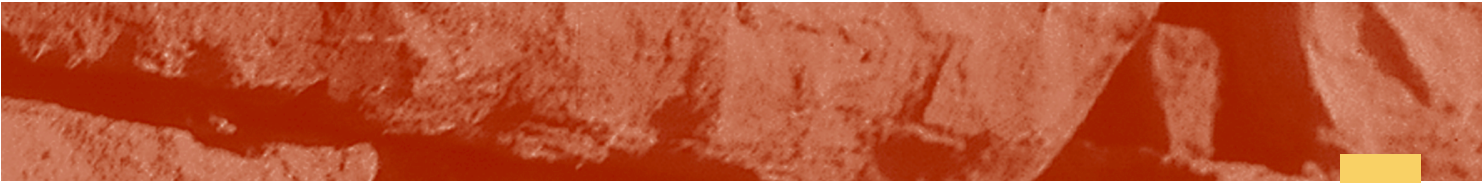
TAC - Tender Advice Centre

TP - Targeted Procurement

W

WBE - Women-owned Business Enterprise

WCS - Works Control System



Chapter 1

STATE ACCOMMODATION AND ASSET MANAGEMENT

1.1 State Accommodation

The mandate of the Accommodation Branch is to procure and maintain accommodation consisting of construction, renovations, maintenance of existing buildings, leasing and acquisitions.

To this end the procurement of any of these services are executed within an empowerment framework administered by virtue of a consultants' roster and tender contract administration system in line with State Tender Board Regulations.

1.1.1 Capital Works and Maintenance

The Capital Works and Maintenance Budget is the hub of the Department's activities in monetary as well as operational terms. During the financial year 2000/2001 an amount of R1, 835 billion was voted for services under this programme. Capital Works comprised R1, 229 billion and the balance, being R606 million as allocated to Maintenance.

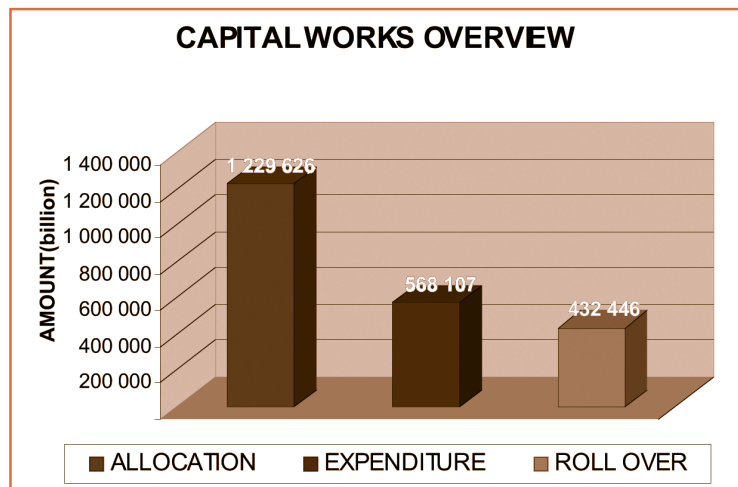


Diagram 1: Capital Works Budget

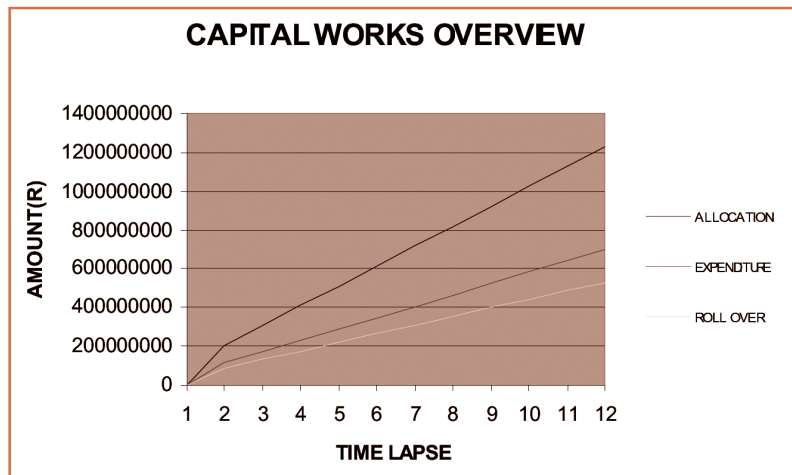


Diagram 2: Capital works allocation and roll-over funds

Capital Works relates to building projects comprising the construction of new buildings, which was the bulk of activities under this programme, as well as extensive repairs and maintenance projects to our fixed assets. Cabinet, in the course of last year, noted the notion that the repairs and renovations content under Capital works should increase to a guideline figure of 50% in order to address the vexing maintenance backlog on fixed assets, experienced by Government as a whole.

Of the Capital budget, an amount of R697 million was spent, being 57% of the allocation and the balance of R532 million was successfully rolled over as commitments and continuations related to multi-year projects. The aforementioned is by no means satisfactory and the Department was subsequently forced to interrogate the reasons for the under-expenditure.

These came out as follows:

- Long lead times in planning of projects of which site acquisition was cited as the major factor.
- The lack of signed-off building programmes not allowing sufficient lead-time for project execution.
- Re-prioritisation of projects owing to transformation within Client Departments, which in turn either slowed down, or even cancelled projects.
- Transfer of excessive funds by Client Departments not aligned to projected multi-year cash flows.
- Late confirmation of rollovers, which prevented timeous planning on projects.
- Discrepancies between estimates and tender amounts having resulted in major savings owing to the competitive market conditions, but which was unfortunately reflected as under-expenditure.

Subsequent to the analysis, various intervention initiatives have been embarked upon to step up the Department's performance under Capital projects, taking into consideration the deficiencies as outlined above. In addition to the aforementioned, consultants have been appointed to assist the Department to improve Programme and Project Management deliverables within time, cost and quality targets.

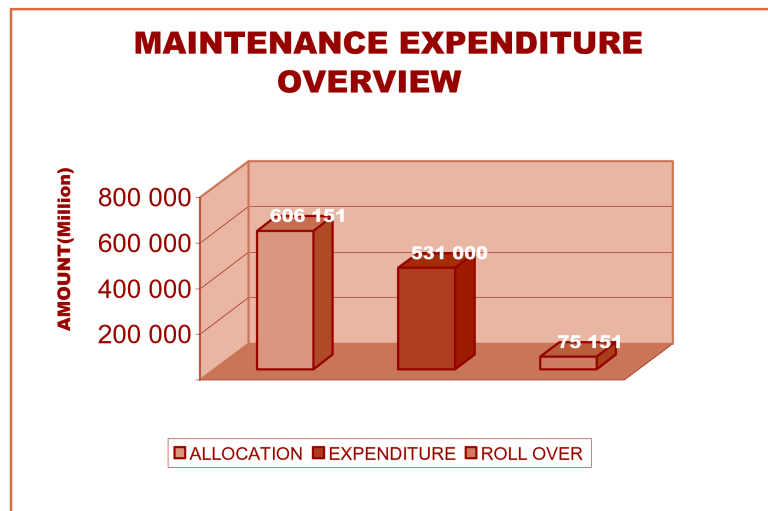


Diagram 3: Maintenance budget and expenditure

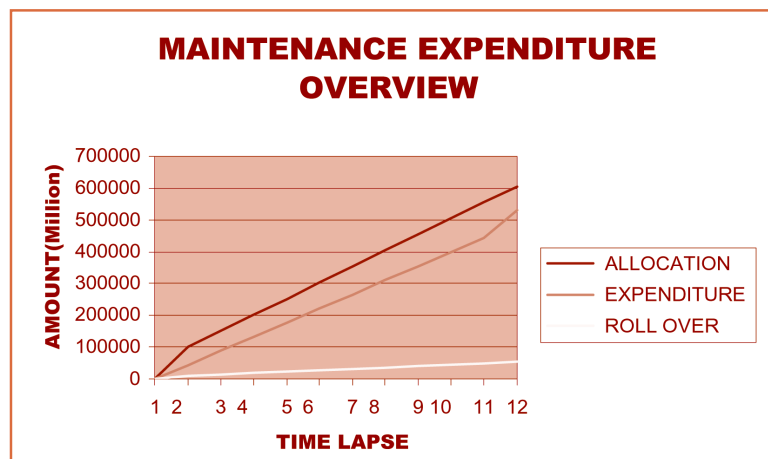
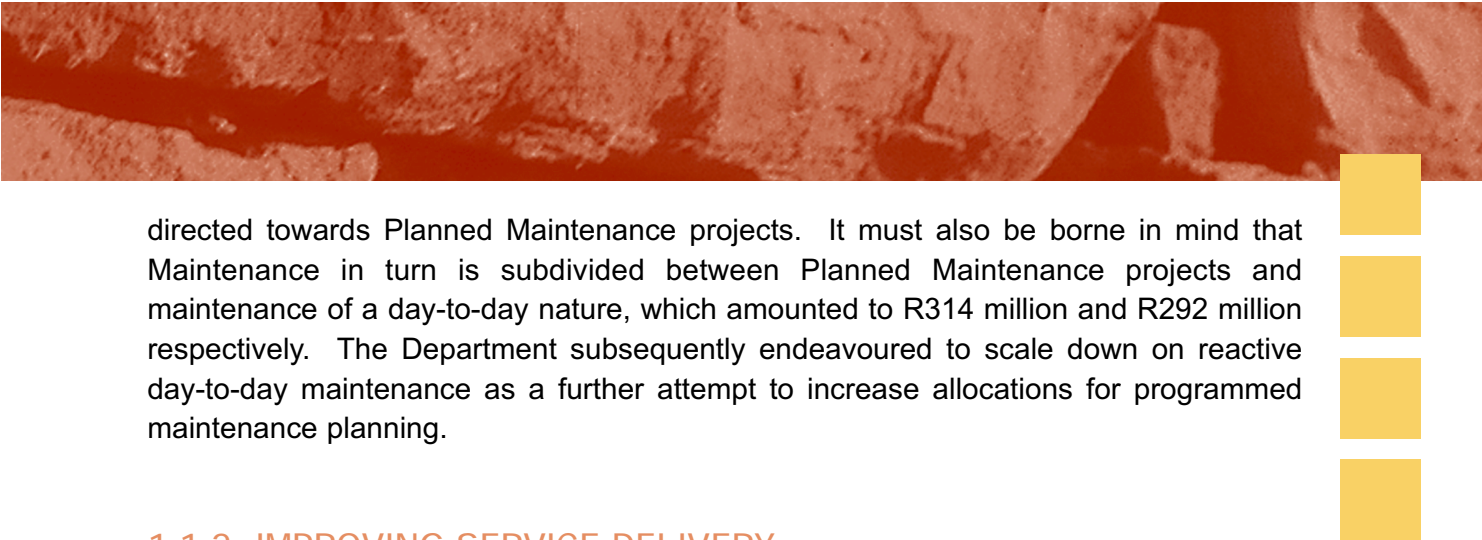


Diagram 4: Maintenance expenditure overview

On the Maintenance budget an amount of R531 million out of an allocation of R606 million was spent, being 88% of the allocation. The balance was committed to ongoing projects.

However, taking into consideration the extensive portfolio that the Department has to cover comprising about 120 000 properties, a mere R 5 000 per facility was available for maintenance work. This confirms the notion that more of the Capital budgets should be



directed towards Planned Maintenance projects. It must also be borne in mind that Maintenance in turn is subdivided between Planned Maintenance projects and maintenance of a day-to-day nature, which amounted to R314 million and R292 million respectively. The Department subsequently endeavoured to scale down on reactive day-to-day maintenance as a further attempt to increase allocations for programmed maintenance planning.

1.1.2 IMPROVING SERVICE DELIVERY

1.1.2.1 Service Level Agreements

In a concerted effort to provide an efficient and effective service on property matters, a process has been initiated leading to the signing of Service Agreements between the Department and all its clients. In the first place, it is envisaged that Service Agreements capturing the fundamental financial responsibilities of each party to the agreement, will be signed in the course of the new financial year.

1.1.2.2 Repair and Maintenance Programme (RAMP)

Using its RAMP (Repair and Maintenance Programme), the Department achieved the goal of rolling out Repair and Maintenance projects with the aim of ensuring that facilities and installations are maintained in a manner that provides User Departments with a safe and healthy working environment.

RAMP is a proactive and dedicated form of maintenance programme designed to detect and rectify maintenance related problems before they become serious impediments to effective public service delivery.

The following projects have been placed on tender and awarded to contractors as part of RAMP, during the period under review:

- Department of Correctional Services
Total value R1 121,7 million - 125 contracts
- Department of Defence
Total value R71,41 million - 23 contracts
- Department of Public Works
Lifts in all Government Buildings
Total value R69,85 million - 27 contracts
- Department of Arts and Culture
Total value R40 million - 6 contracts
- Department of Justice

Total value R48 million

- 23 contracts

1.1.3 RISK MANAGEMENT

The department manages the risk posed to the State, by its facilities and properties by the provision of quality facilitation, support, advisory and information services in terms of risk and safety aspects.

These entail:

- Risk management in general;
- Requirements of the Occupational Health and Safety Act, 1993 (the OH&S Act) in particular;
- Dolomite/poor soil risk management in the building environment; and
- Environmental Management as far as risks to health and compliance with Environmental legislation is concerned.

1.1.4 DOLOMITE SOILS

Soil having a dolomite substructure is prone to the formation of sinkholes and dolines. For this reason they are deemed to pose serious risk to the activities and developments on the surface. Historically, major state developments were constructed on large portions of land affected by dolomitic conditions.

1.1.5 INTEGRATED DOLOMITE RISK MANAGEMENT STRATEGY

During the last three years a considerable escalation in the incidences of damage to State buildings and infrastructure was experienced due to sinkhole and doline formation. This made it essential to implement remedial and preventative measures.

The Department of Public Works, subsequently implemented a comprehensive Integrated Dolomite Risk Management Strategy, which was developed for assets and developments on dolomitic soil conditions. As part of the Integrated Risk Management Strategy the Minister informed the Governance and Administration Cluster of Ministers during April 2000 of the following:

- Dolomite related ground movement incidences, as a result of deteriorating water bearing services are causing the Department to lose state assets.
- Reported losses are in excess of R150 million in the military complex south of Pretoria.
- Lives could be endangered.

- Legal claims against the Department of Public Works and Defence could be large should loss of life or injury occur in these areas as a result of ground movement.
- Failure to take appropriate action, imposes legal liability from a perspective of negligence, in terms of the Occupational Health & Safety Act, (Act 85 of 1993) due to the Department of Public Works' ownership, control and use of these assets that are located on dolomite and are presently adversely affected by stability related problems.
- The Department (as proprietor) needs to act decisively to avert further losses.

The key function of the Dolomite Risk Management Strategy is to introduce appropriate and effective asset management through targeted expenditure on maintenance, upgrading or capital works to enhance safety and avoid any fruitless expenditure.

1.1.6 LEASING

The Department is leasing a host of properties throughout the country. Records revealed that a number of these leases have expired and no contracts exist. A clean up operation was commissioned and is nearing completion. It is expected that this will save the state R21,2m in three years

- Number of leases : 5547
- Budget : R754 m
- Average Rental : R30/square meter

To streamline this function, the following were undertaken

- Updating of records
- Physical inspection of leased premises
- Results:
 - Irregular payments under investigation : R21,2 m
 - Identified inefficient lease agreements : R5,0 m
 - Recovered savings to date : R500 000

1.1.7 FACILITIES MANAGEMENT

The Department of Public Works identified two pilot projects for the roll out of facilities management at Union Buildings in Pretoria as well as Parliamentary villages in Cape Town.

All auxiliary services at these precincts including gardening and cleaning will be handed over to be managed by private companies once the due process of tendering has been



completed.

During March and August 2000, two concession agreements were signed with the private sector to design, construct, finance, operate and maintain a Maximum Security Prison respectively for 2928 prisoners at Bloemfontein and 3024 prisoners at Louis Trichardt. Both prisons are not only the first privately operated prisons in South Africa, but also the largest single prison built world-wide.

Construction to both prisons started immediately after the signing of a long-term contract of 25 years with contractual opening dates of 1 October 2001 and 10 January 2002.

1.2 ASSET MANAGEMENT


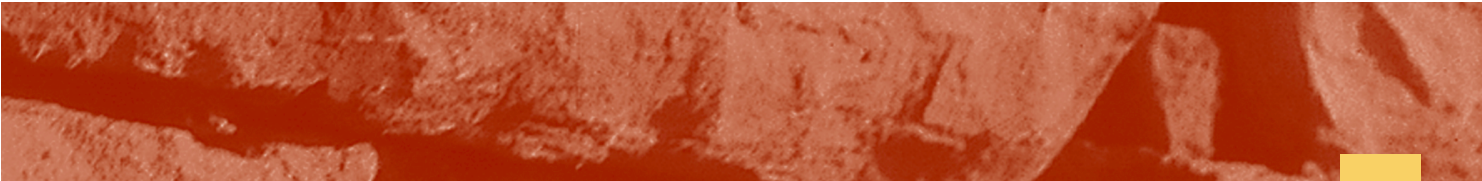
The branch State Property Holdings's key role is to be the custodian of the State's fixed property portfolio and to ensure that the State obtains the best social and financial returns from its property portfolio.

1.2.1 GOVERNMENT-WIDE FIXED ASSET MANAGEMENT FRAMEWORK

One of the major activities of this unit focuses on fixed Asset Management. During the year under review the formulation of a government wide fixed asset framework was conceptualised. This framework was submitted to Cabinet in January 2001.

The main aim of putting forward this Fixed Asset Management Framework, was to provide guidance with respect to the manner in which fixed assets will be handled by government in the future, in line with the PFMA and other effective governance initiatives.

This initiative came out of a realisation that the government is confronted with service delivery expectations, which have to be matched with an efficient use of limited resources. This situation has led to a need for a proactive approach to fixed asset management to ensure demonstrable linkages between service delivery and resource planning and utilisation, as well as enhanced co-ordination of public fixed assets and infrastructure from a government wide perspective. Fixed assets are given a particular focus because they often have lengthy acquisition periods, are usually very costly to manage and maintain and can be difficult to sell or to change their use. Furthermore, fixed assets occupy a prominent position as a resource that impacts significantly on the macro-economic, socio-political and physical landscape of the country.



The Public Finance Management Act suggests the devolution of responsibility and accountability for budgeting of all resources, including fixed assets, to individual departments. The first step that has been taken to address the challenges confronting government in aligning fixed asset to service delivery is the devolution of accommodation budgets to individual departments. This will be followed in the future by the devolution of control (not necessarily ownership) of functional fixed assets to respective departments that utilise them. This is in line with the Public Finance Management Act's ethos that seeks to allocate responsibility and accountability for all resources utilised by departments to execute their mandates, to their respective Accounting Officers.

The decentralisation of accommodation budgets to Accounting Officers is regarded as a positive step towards effective governance.

Fixed assets should be regarded as platforms from which services are delivered and not as an end in themselves. Individual government departments will be given the responsibility to align fixed property as a resource for achieving service delivery goals. The decision making power with regards to fixed assets will allow for the accountability on the full cost of providing, operating and maintaining fixed assets, and will be reflected on individual departmental budgets. Such an approach confirms that the role of government and individual departments is ensuring the delivery of service to the citizens and fixed property should be viewed as a resource necessary for fulfilling that mandate.

Within this approach, the role of the Department of Public Works will be that of an asset manager on behalf of government and landlord on behalf of the State-owned accommodation. It is envisaged that in the area of government property and asset management, the Department of Public Works will also continue to play the role of title deed holder and custodian of the State's fixed assets.

Regarding the Department's role as an accommodation service provider, it is envisaged that departments will enter into contractual service level agreements with the Department of Public Works as a service provider. This will help separate accountability for decisions regarding resource management from the vehicle for service delivery, whilst at the same time allowing for government wide co-ordination. At a later stage, the option to engage other service providers for specifically identified services could be pursued.

The point of departure for the Fixed Asset Management Framework is that assets have to be managed throughout their life within a framework of return and risk. Individual departments will have to appropriate benefits/returns from their fixed assets and most importantly, have to match their assets with the services they deliver.



The proposed Fixed Asset Management Framework:

- seeks to provide guidelines for the implementation of a framework that will enable the government to ensure demonstrable linkages between service delivery and resource planning,
- co-ordination, from a government perspective - the Fixed Asset Management Framework will ensure that decision-making by individual departments takes place within a government wide common framework to ensure consistency and
- the Fixed Asset Management Framework will define approaches, benchmarks and monitoring of the planning, provision, maintenance and management and eventual disposal of fixed assets for the whole of government.

The Fixed Asset Management Framework will be underpinned by the following principles:

- Fixed assets exist only to support delivery of current and future government services, with only a relatively few properties being held for the purposes of national symbolic and heritage significance.
- The full costs of providing, operating and maintaining fixed assets should be reflected on the individual department's budgets, including the introduction of "user pays" charges in State owned properties and client departments must have a certain minimum capacity to advise Heads of Departments on property related activities.
- Fixed asset management within all departments and spheres of government must be guided by and reflect the whole government asset policy framework (allowing for co-ordination with parastatals).
- Ownership of fixed assets/title deed holding shall remain in a centralised entity within the National, Provincial and Local governments and will not be devolved to individual departments within government.
- The delivery of accommodation services by the Department of Public Works must be guided by service level agreements with client departments. At a later stage, optionality for engaging other service providers for specifically identified services, will be given to individual Accounting Officers and government will not compete with the private sector in Property and Asset Management service provision.

1.2.2 DISPOSAL OF REDUNDANT STATE OWNED PROPERTIES

The Department of Public Works, as custodian of the State's fixed assets, is faced with the challenges of disposing of redundant properties as well as converting redundant and under-utilised military bases to commercial and civilian use. An assessment of properties that have no short, medium and long term strategic and other value were identified for disposal.

1.2.3 CONVERSION AND RE-USE OF MILITARY BASES

The Department, with the assistance of the Centre for Conflict Resolution, secured a grant of US \$ 1,030,000 from the World Bank to assist with the implementation of a project on military base conversion and re-use.

The main activities for which the Grant was made available were:

- Capacity building within Government
- Conducting of an international survey of base conversion
- Conducting of pilot studies for re-use of bases in South Africa

A total of 17 bases throughout the country were identified to conduct pilot studies with a view to converting them to private commercial use. Eleven of the bases are redundant while six are under-utilised. The under-utilised bases will be co-used between Defence and private sector. All 17 reports were finalised by the end of November 2000, as per World Bank Grant stipulations.

- Pilot studies were done on the following bases:
- Pomfret (North West Province)
- Klippan (North West Province)
- George Women Army College (Western Cape)
- Langefontein (Western Cape)
- Saldanha Tooth Rock (Western Cape)
- Hoedspruit Boston (Mpumalanga)
- Bourke's Luck (Mpumalanga)
- Zwartkop Air Force Base (Gauteng)
- Devon (Gauteng)
- Soekmekaar (Northern Province)
- Port St John's (Eastern Cape)
- Waterkloof Air Force Base (Gauteng)
- Mmabatho (10 Infantry Battallion) (North West Province)
- Wingfield Air Force Base (Western Cape)
- Ysterplaat Air Force Base (Western Cape)
- Thaba Nchu (151 SA Infantry Battallion) (Free State)
- Camden (111 SA Infantry Battallion) (Mpumalanga)

A group of 10 government officials visited Germany, the USA, Philippines and Australia to obtain first hand experience on military base conversion in other parts of the world. An international workshop on base conversion took place during October 2000 in order to combine the local and international experience to develop a policy on base conversion in South Africa.

1.2.4 STRATEGIC PROPERTY DISPOSALS

The Department has identified five strategically located properties as pilots for its disposal programme with the objective of ensuring maximum financial as well as social returns from the property portfolio for the State.

Development proposals will be invited from the private sector for the development and disposal of the properties. Adjudication of proposals will be done on the basis of points and the following criteria will be used:

- The price offered to purchase or lease the property
- The development concept offered by the tenderers
- The financial viability of the proposed development
- The tenderer's experience and expertise with regard to development
- The involvement of Previously Disadvantaged individuals
- The development and upliftment of people

Some of the disposals that have been initiated during this year include:

- Former SANDF site in Brooke's Hill, Port Elizabeth
Development proposals were invited during September/October 2000. The property was awarded to a successful tenderer in February 2001.
- Midrand site adjoining the Development Bank of Southern Africa
This 150 hectare prime site in Gauteng, was advertised for disposal through development proposals during September 2000 and tenders closed on 13 February 2001.
- Silvermine Site in Cape Town, The Old Supreme Court in Pietermaritzburg
Development proposals for the disposal of these properties were invited during January 2001. Proposals will be received during April/May 2001 whereafter the necessary adjudication will take place.
- Property Developers, Property Investors, Property Financiers Conference
The Department held a Property Developers, Property Investors and Property Financiers Conference on 29 March 2001. The purpose of the conference was to inform property developers, investors and financiers of prime properties that the Department intends to dispose of within the next 12 to 18 months and to establish a forum for ongoing dialogue between the Department and key stakeholders in the private sector.

1.2.5 NON-COMMERCIAL PROPERTY DISPOSALS

1.2.5.1 Land Reform on State Land

In an effort to obtain social returns from the disposal of properties within the National Government portfolio, the Department of Public Works has actively supported land reform initiatives of the National Department of Land Affairs (DLA), by prioritising and expediting land reform on State land under the control of the Department of Public Works. A dedicated sub-directorate to focus on land reform has been created. Some of the properties that were part of the land reform projects that have been successfully concluded in the year under review, include:

- Thornhill Land Redistribution Project, Queenstown, Eastern Cape:
By disposing of 2 055 ha of State Land to the Thornhill Farms Communal Property Trust, the Department contributed directly to the community development initiatives of DLA.
- Gumbi Land Redistribution Project, Ngotshe, KwaZulu-Natal:
The exchange of State land for private land to facilitate DLA's land redistribution project for the Gumbi Tribe was finalised during the year under review.
- Bakubung Land Restitution Claim, Koster, North West Province:
The farms Elandsfontein 21 IQ & Palmietkuil 25 IQ (together in extent 8 245 ha) were released to DLA, free of charge, to satisfy the restitution claim of the Bakubung Community.

At the request of the National Department of Land Affairs, the Department is currently involved in the resolution of the following land reform projects:

- Ellison & Steynberg Restitution Claim, Pretoria, Gauteng:
Individual titleholders of the Ellison & Steynberg Agricultural Holdings were dispossessed of their rights as owners. DLA has requested the Department to restore these rights of ownership.
- Makotopong Restitution Claim, Pietersburg, Northern Province:
The Makotopong community was forcibly removed from the Farm Roodewal 808 LS in order to accommodate the SA Defence Force. At the request of DLA, the Department is currently negotiating the release of the State land (in extent 2 858 ha) to the community.
- Lohatla Restitution Claim, Northern Cape:
A community of 18 Xhosis families were dispossessed of their property to accommodate the SA Defence Force. At the request of DLA, the Department is

endeavouring to satisfy the community's restitution claim by providing alternative State land to them.

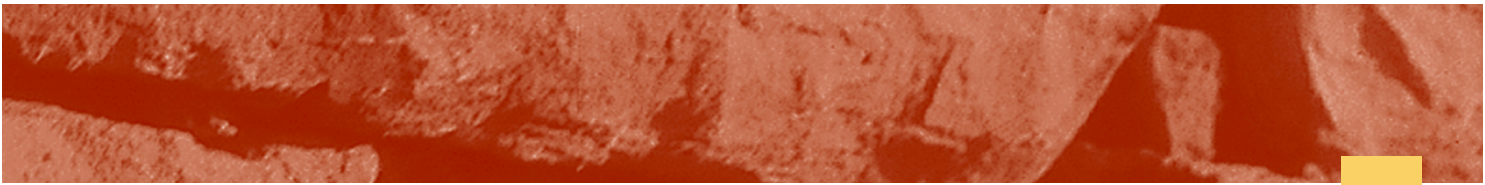
1.2.5.2 Non-commercial Disposals for Social Development

Other non-commercial disposal of State property included donations and other less than market value sale of property, mainly to local authorities and provincial administrations aimed at specific socio-economic benefits projects.

During the year under review, the Minister of Public Works approved the disposal of 106 properties (in extent 15 750 hectares), which generated an income of R4 747 500. The following table provides a breakdown of the disposal of State land


NATIONAL DEPARTMENT OF PUBLIC WORKS DISPOSAL OF IMMOVABLE PROPERTY - 1 APRIL 2000 TO 31 MARCH 2001		
Purpose of Disposal	Number of Properties	Extent of Land (Hectares)
Land Reform Purposes	29	13 932 ha
Provision of low-cost housing & related infrastructure	33	810 ha
Educational Purposes	8	76 ha
Commercial Purposes	36	1 884 ha
Total	106	15 750 ha

Table 1: Disposal of immovable property



Chapter 2

NATIONAL PUBLIC WORKS PROGRAMME



The aim of this program is to implement the National Public Works Programme by:

- Delivering assets, jobs and capacity building through the Community Based Public Works Programme (CBPWP) as a basis for sustainable rural development.
- Promoting construction industry growth, development and transformation for enhanced infrastructure delivery through the Construction Industry Development Programme (CIDP).

2.1 THE CONSTRUCTION INDUSTRY DEVELOPMENT PROGRAM (CIDP)

This programme has made significant progress towards achieving the desired outcomes of the vision and strategy outlined in the White Paper: “Creating an Enabling Environment for Reconstruction, Growth and Development in the Construction Industry” (April 1999).

During 2000, the CIDP engaged all industry stakeholders in the creation of an enabling environment. The core programmes and activities included:

- Development and Passage of enabling legislation for the construction industry and the built environment.
- Creation of institutional arrangements (the CIDB and the 6 Councils for the Built Environment and the Council for the Built Environment) to create an appropriate enabling environment for the construction industry and the built environment.
- Improving industry performance through procurement reform and promotion of Procurement Best Practice.
- Improving public sector capacity to manage delivery.
- Promoting new industry capacity and the emerging sector.

2.1.1 ENABLING LEGISLATION EMANATING FROM POLICY

Undoubtedly, the most significant milestone of cooperation during 2000 was the passage in Parliament of legislation that creates an institutional framework for ongoing progress towards achieving the goals of industry development, growth and transformation.

2.1.2 ESTABLISHING THE CONSTRUCTION INDUSTRY DEVELOPMENT BOARD (CIDB)

The establishment of the CIDB as a statutory institution is based on principles that stress the need for a coordinated approach to enabling environment programmes and for programme implementation, which appropriately involves all stakeholders. Supported by both public and private sector participants in the Inter-Ministerial Task Team's Focus Groups, and Reference Group, the Department played a significant role in the development of a common industry development strategy, the planning and legislation that defines the role of the CIDB in driving the strategy into implementation. The final output of the efforts of all these participants reflected an impressive record of the work that has been accomplished, and the depth of thought that has gone into the outputs and recommendations developed over the past 3 years.

This process has developed within the concept of public-private partnership and has contributed to a high level of common understanding as demonstrated in such outputs as:


- Institutional development - core statutory functions of the CIDB and preliminary operation plan for the CIDB
- Planning and implementation of key industry development proposals such as:
- Procurement reform and improvement
- Public sector delivery management
- Promotion of best practice
- Labour based construction
- The Register of Contractors and the Register of Projects, the key development instruments that will be managed by the CIDB.

Following the enactment of the legislation in December 2000, the Department moved swiftly to ensure the appointment of the CIDB's first Board. Over 100 nominations were received. A short-listing panel of senior Government officials and eminent private sector individuals was appointed to ensure that the recommended Board reflected the spirit and intent of the Act.

The CIDB Act allows for the establishment of a statutory national authority to provide leadership and support to national, provincial and local organs of the State and to the private sector. It will implement an integrated strategy for the reconstruction, growth and development of the construction industry.

Its core objectives include:

- Establish best practice standards and guidelines that will promote
- Improved industry stability, performance and efficiency
- National social and economic objectives
- Growth of the emerging sector

- 
- Labour absorption and skills formation
 - Procurement and delivery management reform
 - Safety, health and environmental outcomes.
 - Promote best practice through the development and implementation of appropriate programmes and measures aimed at the improved performance of the public and private sector clients, contractors, and other participants in the construction delivery process.
 - Promote uniform application of policy with regard to the construction industry, throughout all spheres of Government.

The CIDB will achieve its objectives through a combination of development and regulatory activities and instruments. Key instruments envisaged are:

- Register of contractors
- Register of Projects
- Code of Conduct

The CIDB will initially be fully funded by the Department of Public Works and will have a first year budget allocation of R11, 5 million. Projections based on the business operations of the CIDB indicate that this allocation may rise to approximately R20 million by its third year of operation.

2.1.3 ESTABLISHING THE PROFESSIONAL COUNCILS

The Acts create an integrated framework for the development of the professions. In line with our new democracy, this legislation seeks to address previous shortcomings and to open up the professions to greater transparency and public accountability. For the first time, the public will have representation on Councils previously the preserve of the professions.

The new legislation also establishes an overarching Council for the Built Environment (CBE) that will promote the equal application of policy on matters of national priority. The CBE will promote innovation to meet the changed demands of South African society and the imperatives of rapid global change. It will create a dynamic interface between the professions and Government and ensure coordination within the professions and with Government.

An important outcome of the legislation is that it will enable greater public access to professional services by recognising different categories of the professions and creating new possibilities for career path development within each profession. The new legislation reflects the precepts of our new democracy and will enable improved ability of the professions to develop and respond to transformation on ongoing change.



2.1.4 KEY PERFORMANCE INDICATORS (KPI'S) AND TARGETS FOR INDUSTRY IMPROVEMENT

The recently established institutions have the potential to mobilise the talent and energy of all industry stakeholders to promote a new ethos of delivery. To capitalise on and unleash this energy, the Department is initiating a study on the state of the industry. This study will assess specifically the capacity and performance of the construction industry. The status quo report will give an indication of how the construction industry is performing. This would form the basis for the establishment targets for improvement and construction industry indicators for continuous measurement of performance.

Performance Indicators that support and encourage improvement would need to cover aspects such as:

- Improved investment and capital spending as a measure of growth;
- Reduced costs, defects and delivery times as a measure of value for money and reduced risk to clients;
- Improved profit margins to industry through reduced adversity, claims and litigation that characterises construction as a risky investment and further erodes the bottom lines;
- Improved participation of the emerging sector, including women.
- Improved health and safety.

The key to improvement lies in innovation and best practice. This requires intensive co-operation between the industry and its clients in the public and private sector.

2.1.5 PUBLIC SECTOR DELIVERY

The commitment of Public Works to drive an improved payment ethos within the public sector has received widespread support and cooperation from the industry. The Department has begun a systematic process at the beginning of 2001 to reduce payment delays by 20% (National Department) and by 10% (selected Provinces), as a first step. Already significant improvements are noticeable not only in the pilot areas but other regional offices of the National Department.

2.1.6 EMERGING CONTRACTOR DEVELOPMENT PROGRAMME (ECDP)

The highlights of the year under review reflect an enhanced intervention by the ECDP to address some of the key constraints faced by emerging contractors.

2.1.7 HELP DESK SUPPORT

During the past year the ECDP has extended its full-time Help Desk facility. Already operational in our regional offices of:

- Johannesburg, Bloemfontein, Kimberley, Cape Town, Port Elizabeth and Durban, the ECDP has setup additional facilities in the sub-offices of
- Nelspruit, Mmabatho, Umtata and Pietersburg.

All the help desks strive to uphold the principles of “Batho Pele” and benchmark their performance against best practices in help desk service provisioning. The Help Desks play a pivotal role in the interface between the department and contractors.

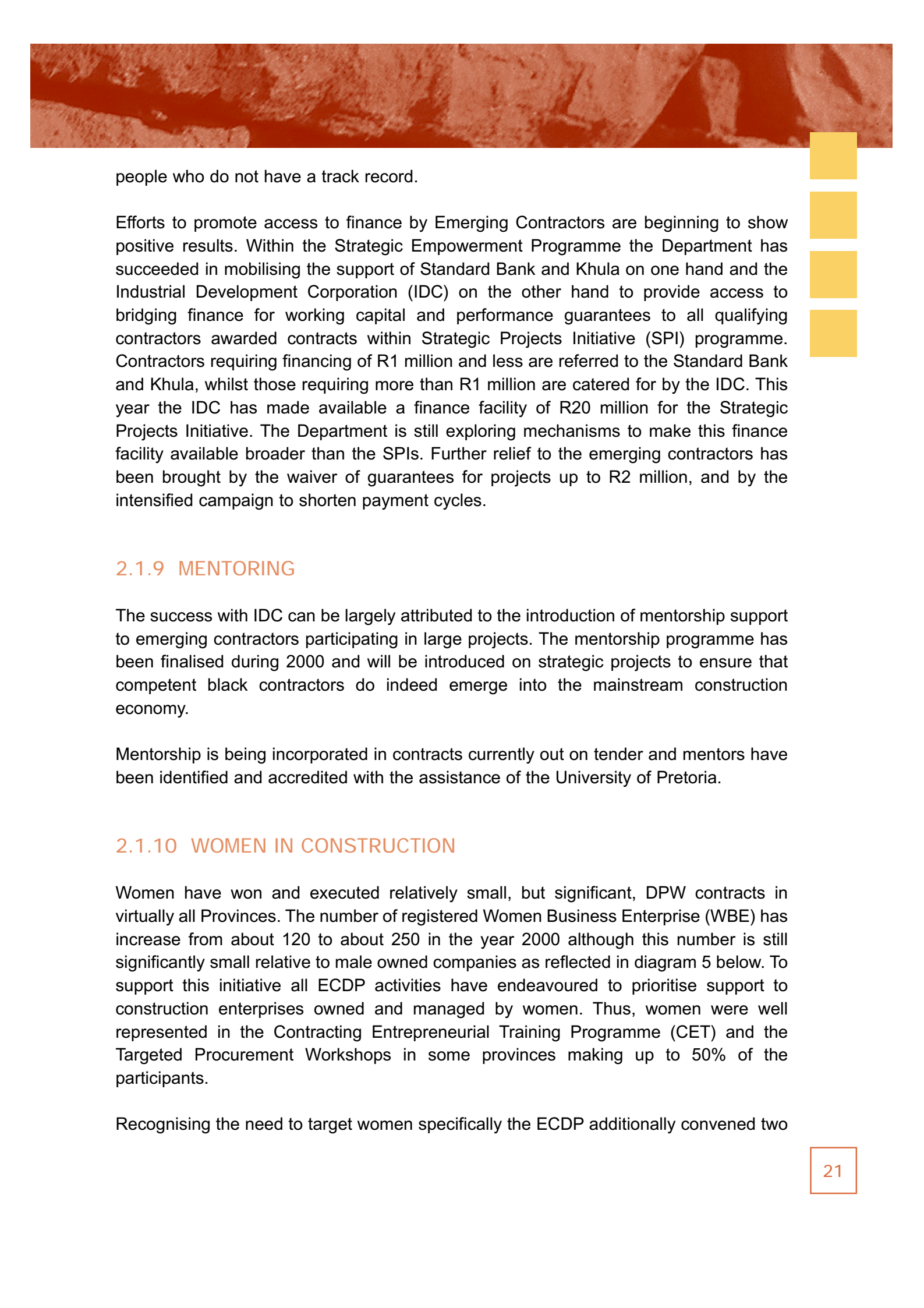
In the year 2000, we again experienced a considerable increase in contractors registering on the ECDP database; the numbers has increased to over 3257 compared to 1533 in the previous year (see Table 2 below). As these contractors are emerging it is challenging to access them, validate their credentials and manage their development and growth. This also makes the number of viable opportunities difficult and sustainability of these contractors challenging. The ECDP is exploring a practical development strategy. This strategy will be to incubate targeted emerging contractors for a set period, which will ensure sustainable award of contracts and provision of capacity building interventions.

	CATEGORY 1	CATEGORY 2	CATEGORY 3	NOT CATEGORISED	TOTAL
Bloemfontein	300	5	3	166	474
Johannesburg	142	36	8	126	312
Kimberley	161	16	1	17	195
Cape Town	381	98	41	25	545
Port Elizabeth	152	48	61	35	296
Durban	756	12	8	0	776
Pretoria	188	7	3	7	205
Nelspruit	0	0	0	170	170
Mmabatho	55	0	0	15	70
Pietersburg	0	0	0	214	214
Total	1892	215	122	369	3257

Table 2: Contractors registered in the ECDP database

2.1.8 ACCESS TO FINANCE

Access to finance remains the single major challenge facing black contractors. Black contractors in general have a high-risk profile and banks (and other financial institutions) are reluctant to lend them money. They are regarded as high-risk enterprises run by



people who do not have a track record.

Efforts to promote access to finance by Emerging Contractors are beginning to show positive results. Within the Strategic Empowerment Programme the Department has succeeded in mobilising the support of Standard Bank and Khula on one hand and the Industrial Development Corporation (IDC) on the other hand to provide access to bridging finance for working capital and performance guarantees to all qualifying contractors awarded contracts within Strategic Projects Initiative (SPI) programme. Contractors requiring financing of R1 million and less are referred to the Standard Bank and Khula, whilst those requiring more than R1 million are catered for by the IDC. This year the IDC has made available a finance facility of R20 million for the Strategic Projects Initiative. The Department is still exploring mechanisms to make this finance facility available broader than the SPIs. Further relief to the emerging contractors has been brought by the waiver of guarantees for projects up to R2 million, and by the intensified campaign to shorten payment cycles.

2.1.9 MENTORING

The success with IDC can be largely attributed to the introduction of mentorship support to emerging contractors participating in large projects. The mentorship programme has been finalised during 2000 and will be introduced on strategic projects to ensure that competent black contractors do indeed emerge into the mainstream construction economy.

Mentorship is being incorporated in contracts currently out on tender and mentors have been identified and accredited with the assistance of the University of Pretoria.

2.1.10 WOMEN IN CONSTRUCTION

Women have won and executed relatively small, but significant, DPW contracts in virtually all Provinces. The number of registered Women Business Enterprise (WBE) has increase from about 120 to about 250 in the year 2000 although this number is still significantly small relative to male owned companies as reflected in diagram 5 below. To support this initiative all ECDP activities have endeavoured to prioritise support to construction enterprises owned and managed by women. Thus, women were well represented in the Contracting Entrepreneurial Training Programme (CET) and the Targeted Procurement Workshops in some provinces making up to 50% of the participants.

Recognising the need to target women specifically the ECDP additionally convened two

workshops targeting women in Port Elizabeth and Durban. Plans are at an advanced stage to launch a Strategic Empowerment Programme for Women in Construction. Work in progress to realise this initiative comprise of:

- Amending the Affirmative Procurement Policy (APP2) Targeted Procurement (TP2) specification to create a preference for Women owned business enterprises (WBE) wishing to participate on large scale Public Works contracts as prime contractors;
- Identification of appropriate projects for inclusion in the initiative;
- Developing an appropriate mentorship programme to guide the development of the participating WBE;
- Mobilisation of appropriate private sector financial resources for initial capitalisation.

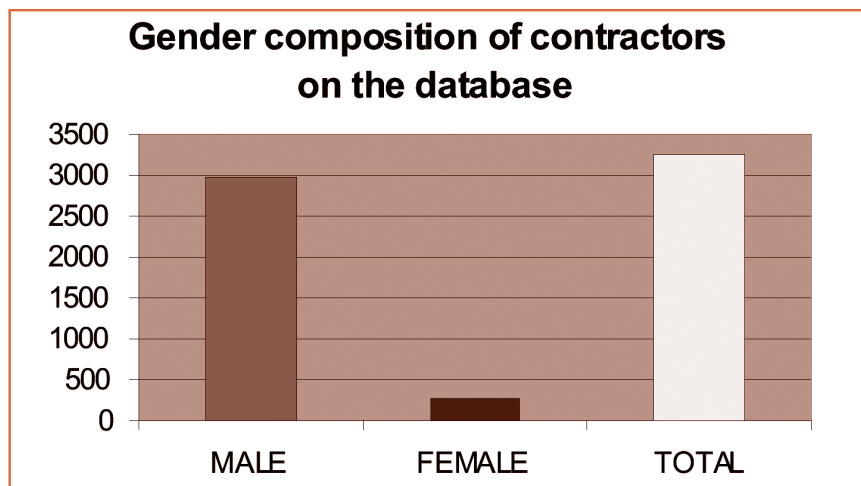


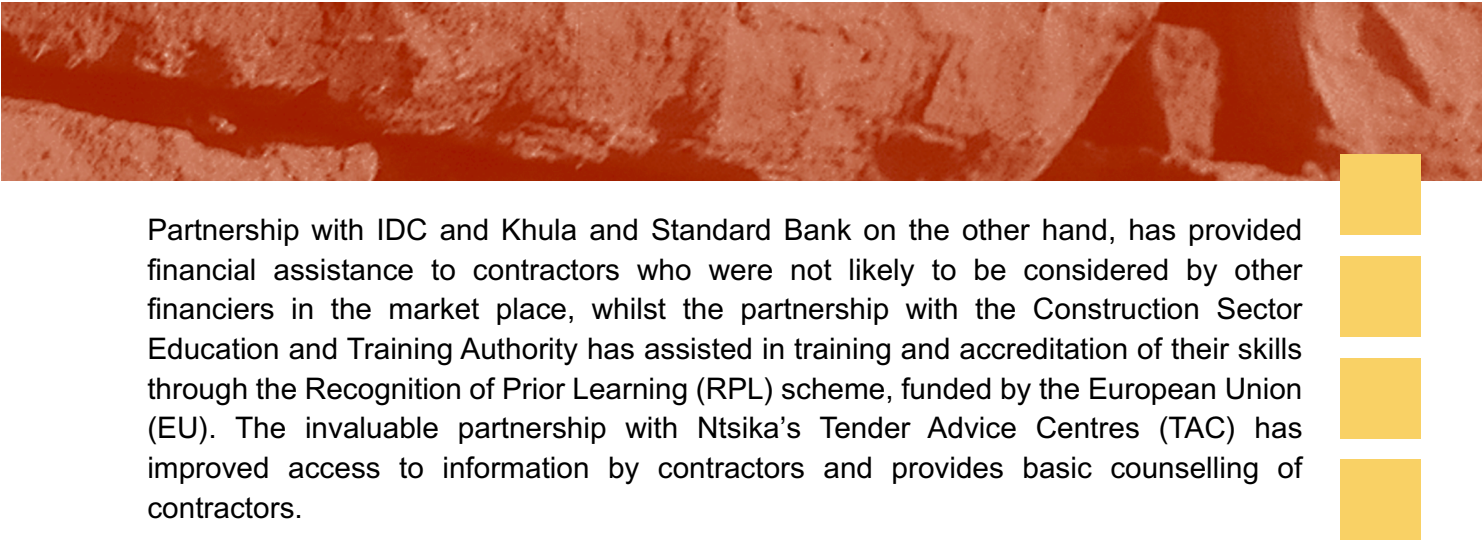
Diagram 5: Gender composition of contractors for ECDP

2.1.11 ACCESS TO TRAINING

Increased participation of emerging contractors and women cannot be achieved through targeted procurement only. Lack of capacity and the skills gap still remain a fundamental barrier to the success of emerging contractors. Training is a critical challenge. The ECDP embarked on a training campaign to address the skills gap. This training focused on business and contracting management skills, tendering procedures, and on fields such as plumbing and electricity. An average 100 contractors per province attended the workshops, with at least 20% of the participants being women.

2.1.12 PARTNERSHIPS

The implementation of the ECDP has been enhanced through partnership with largely government created agencies and private sector institutions.



Partnership with IDC and Khula and Standard Bank on the other hand, has provided financial assistance to contractors who were not likely to be considered by other financiers in the market place, whilst the partnership with the Construction Sector Education and Training Authority has assisted in training and accreditation of their skills through the Recognition of Prior Learning (RPL) scheme, funded by the European Union (EU). The invaluable partnership with Ntsika's Tender Advice Centres (TAC) has improved access to information by contractors and provides basic counselling of contractors.

2.1.13 CHALLENGES

Roll out of the programme to other public sector organisations and ensuring sustainable award of contracts to targeted contractors are the main challenges facing the ECDP.

2.1.13.1 ROLL-OUT TO OTHER PUBLIC SECTOR ORGANISATIONS

There can be little doubt, that should all organisations working on Emerging Contractor Development combine their resource and ideas, the goal of developing sustainable and profitable construction businesses owned and run by HDIs will be achieved.


The benefits of partnering will include:

- the optimisation of resources and maximising of their impact;
- sharing of database of contractors that will track their progress;
- identification and verification of contractors from the targeted groups that can produce quality work on contracts of a particular type in a particular type range;
- eliminating the risk to the client of selecting contractors that currently do not possess the capacity, knowledge and track record to carry out particular contracts;
- a combined resource and knowledge base that will considerably enhance the output of the individual initiatives; and,
- greater benefits to the target group.

Plans are underway to develop a roll-out strategy to achieve these goals.

2.1.13.2 SUSTAINABLE AWARD OF CONTRACTS

One of the greatest challenges facing emerging contractors is that of continued profitability i.e. to sustain a successful business. To enhance the success rate of emerging contractor businesses, it would be of great benefit for organisations involved in contractor development initiatives to interact, and to share information with respect to



upcoming projects that would be suitable for inclusion into the contractor development programme. The incubation initiative discussed earlier also seeks to address this challenge.

2.2 COMMUNITY BASED PUBLIC WORKS PROGRAMME

Community Based Public Works Programme (CBPWP) focus is the identification of clusters of projects within identified poverty pockets in rural disadvantaged communities. The primary objectives of the programme are poverty alleviation and job creation by way of labour-intensive construction methods while creating community assets. The programme targets South Africa's poorest and most disadvantaged sector of the population, the rural poor. This sector is characterised by lack of infrastructure, lack of skills and weak institutional support for development. Because of its emphasis on community participation, the programme was given a brand name of Ilima\ Letsema (Working Together)

2.2.1 SPECIAL PROJECTS

Since its inception the Ilima/Letsema has undergone improvement from time to time. The CBPWP now possesses a capacity to respond to specific imperatives and to forge partnerships and co-ordination with certain stakeholders in order to make a maximum impact on the lives of the poor. This is achieved through the implementation of special projects which have a specific impact on targeted geographic areas or social groupings. Special projects implemented in the 2000/2001 financial year include the following:

- Community Production Centres - concentrating on the provision and/or upgrading of agricultural infrastructure in partnership with the Department of Agriculture for food production and rural economic generation.
- Multi Purpose Community Centres (MPCC's) - in close co-operation with the Government Communication and Information Service (GCIS). The objective of the MPCC's is to provide a "one-stop " service centre within rural areas for government services to communities. Services like pension pay-points, health services, birth and death registrations are provided in a typical MPCC depending on the community needs.
- Youth for Environmental Accessibility - upgrading of public buildings by youth to provide access and amenities for disabled people. This project is implemented in partnership with the National Youth Commission and the Office on the Status of the Disabled People. Youths are providing their service as part of the National Youth Service.
- Clean & Green - this is an environmental programme implemented in partnership with South African Breweries (SAB) to provide waste removal services and waste

management awareness in under-serviced areas.

One-person-contractor businesses are established to provide clean-ups in predominantly urban areas where no formalised refuse removal has existed.

2.2.2 RE-ALIGNMENT OF THE COMMUNITY BASED PUBLIC WORKS PROGRAMME

During 1997 the International Labour Organization (ILO) and the Community Agency for Social Enquiry (CASE) evaluated the programme. The evaluation was extremely positive, valuing Ilima/Letsema as one of the best programmes among similar programmes in 30 countries. However, it also highlighted some shortcomings. It highlighted the need for realignment of the programme, especially in terms of its focus, institutional arrangements, and the socio-economic sustainability of the programme.

National Treasury allocated funding totalling R249 m for the 2000/01 Year of implementation which was increased by R100 m from the Department's own budget. This money was allocated for projects in 20 district municipalities using a targeting formula that is informed by the results of the October Household Survey and Census data and balances the District Municipality population index against its poverty index.

Building on the successes achieved in the 1999/00 year funding was again allocated to District Municipalities resulting in the following investment in provinces:

PROVINCES	NO, OF DISTRICT COUNCILS	SPECIAL PROJECTS	TOTAL BUDGET
KwaZulu-Natal	7 district councils	4 special projects	R 88.8m
Eastern Cape	6 district councils	5 special projects	R124.8m
Mpumalanga	3 district councils	1 special project	R 16.0m
Free State	1 district council		R 8.2m
North West	1 district council		R 8.8m
Northern Province	2 district councils	4 special projects	R 89.9m
Gauteng		1 special project	R 0.2m
Western Cape		1 special project	R 0.4m

Table 3: District Municipality allocations consolidated per Province

Funds were committed to projects early in the financial year and implementation started in April 2000. All funds were completely expended by 31 March 2001.

2.2.3 ACHIEVEMENTS

(i) Job Creation

Two objectives, previously not strongly stated, featured in the 2000/2001 Ilima/Letsema, namely:

- Introduction of rapid delivery projects in order to increase the number of projects implemented as well as to ensure expenditure on the budget.
- Full expenditure of the entire budget allocated in two financial years before.

By the end of the 2000/2001 the following employment achievements have been attained:

	MEN	WOMEN	YOUTH	DISABLED	TOTAL	SUSTAINABLE JOBS
98/99	18 213	10 981	11 897	268	29 194	4154
99/00	8 601	7 064	6 908	228	15 665	342
01/02	18 655	14 950	14 248	632	33 605	818

Table 4: Social impact data

The programme has more or less been achieving its social impact targets (i.e. 50% women, 15% youth and 1% - 3% disabled). There have been challenges with the policies of certain district municipalities, which do not necessarily lend themselves to this approach.

Furthermore, the success of the programme has generated a lot of expectation on the part of district municipalities and communities. The Department is always inundated with requests from communities and municipalities who are currently outside of the Ilima/Letsema targeted areas. The MTEF allocation (in the order of R274 million per year) and the R100 million top-up by the Department have become too small for the demand.

(ii) Land Rehabilitation Programme

The financial year of 2000/2001 began with devastating floods particularly in the Northern Province and Mpumalanga provinces. In response the Department of Public Works formulated a small programme on land rehabilitation to ensure that those communities whose crops had been destroyed by floods could get an income for buying food.



(iii) ALIGNMENT WITH THE INTEGRATED AND SUSTAINABLE RURAL DEVELOPMENT STRATEGY (ISRDS)

In the 2000/2001, Government introduced the Integrated and Sustainable Rural Development Strategy (ISRDS) and 13 nodal areas were identified for this programme. It turned out that the Ilima/Letsema, even before the nodes were announced, was already operational in eleven of these nodal areas. The Ilima/Letsema team has sought to work closely with the ISRDS, participating in the Inter-Departmental Task Team (IDTT) for this programme.

(iv) Sustainability Planning

The year 2000/2001 was the first time that the issue of sustainability planning was seriously taken up with the district municipalities. Sustainability planning on all projects has been built into the planning process and no projects are approved for implementation without an adequate sustainability plan which addresses the issues of ownership, maintenance, management and usage of the asset.

(v) Project Categorising

Over 1750 community projects have been implemented since 1998 in the provinces of Eastern Cape, Free State, KwaZulu Natal, Mpumalanga, Northern Province and North West. In order to make maximum impact on the lives of communities, the project type categories and special projects listed below have been formulated:

- a) Improved Access to Trade Opportunities - comprising improving road access and facilitating community markets;
- b) Directly Productive - projects which provide ongoing sustainable employment such as agricultural food lots, small scale irrigation, recycling and waste collection
- c) Labour Saving - projects which result in reduced labour usage by communities such that the saved labour can be used for more productive activities. Examples of projects include water supply (which reduces time and labour required in carting water large distances); creches (which facilitate childcare while mothers are working).
- d) Social Cohesion - projects which create social cohesion within disadvantaged communities such as multi-purpose centres, sports facilities
- e) Environmental Protection - comprising projects which result in protection of the environment such as erosion control, donga rehabilitation, revegetation, schools sanitation.

(vi) CBPWP Journal

The first edition of 'Tiro', an Ilima/Letsema Journal was published in 2000/2001. The publication is fast proving to be popular with a number of requests from such quarters as academics, development workers, municipal managers being received.

(vii) Management Monitoring Information System (Mmis)

In the early days of the Ilima/Letsema, monitoring used to be of a summative nature. This was done in order to give the programme managers crucial information around the implementation processes. This monitoring led to the development of a targeting formula to allocate funds to those district Municipalities where poverty is the most pressing, the clustering concept as opposed to stand alone projects (for more sustainability) and the developing of an integrated monitoring system for proper project management with a strong evaluation leg.

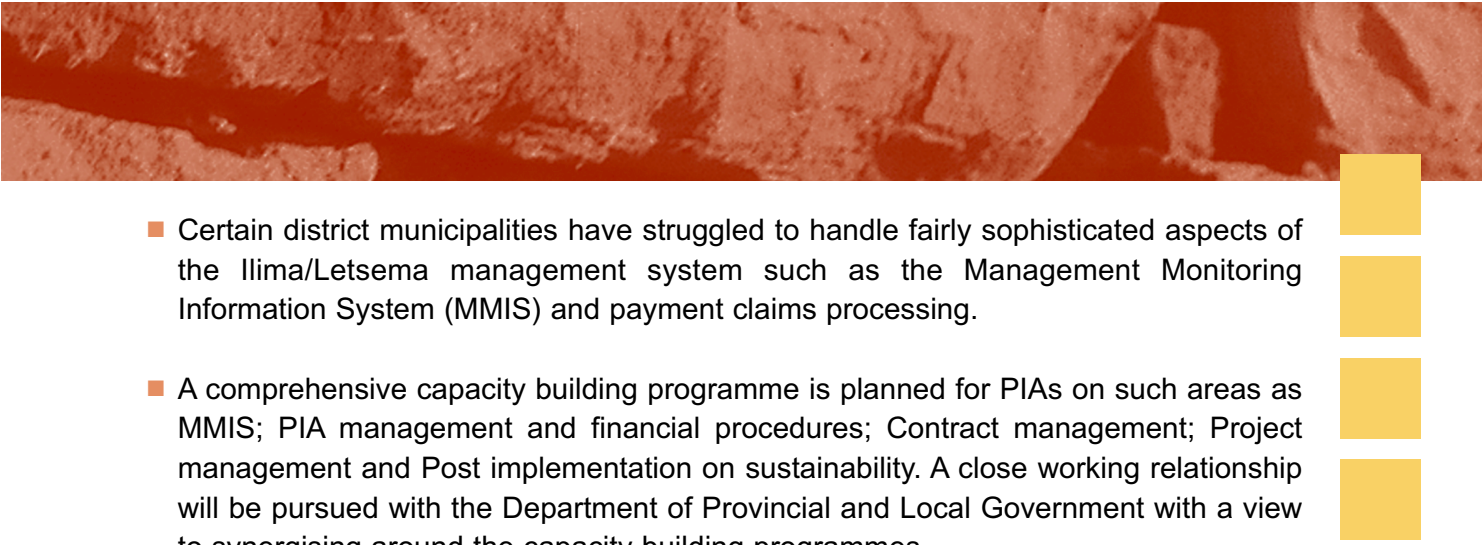
In 2000/2001 monitoring was developed further to capture the impact of the programme on beneficiaries as well as key process aspects (such as training). Two very important instruments have been developed in this process that can be replicated by other similar programmes. The first is a standardised quality of life measurement instrument and the second is a success and failure indicator measurement instrument. The programme management is now in a position to measure whether the beneficiaries (those who worked and did not work on the projects) within a 10 km radius of the projects have had an increased or decreased quality of life experience. Information on the success and failure of the projects is also available.

This information consists not only of technical information but also the beneficiaries' perception of their success or failure. This information is gathered on an annual basis and the Department of Public Works is one of the very few government institutions with long term impact data. With this information the Department can further "fine-tune" the programme.

2.2.4 VISION FOR THE FUTURE

(i) Programme Implementing Agents (PIA's) Capacity

- New municipalities, in the areas targeted by the Ilima/Letsema, have come to being following the demarcation process for the year 2000 local elections. Many of these municipalities lack resources and expertise and have found it difficult to absorb the programme.

- 
- Certain district municipalities have struggled to handle fairly sophisticated aspects of the Ilima/Letsema management system such as the Management Monitoring Information System (MMIS) and payment claims processing.
 - A comprehensive capacity building programme is planned for PIAs on such areas as MMIS; PIA management and financial procedures; Contract management; Project management and Post implementation on sustainability. A close working relationship will be pursued with the Department of Provincial and Local Government with a view to synergising around the capacity building programmes.

(ii) Towards an “ATTACK ON POVERTY” Strategy

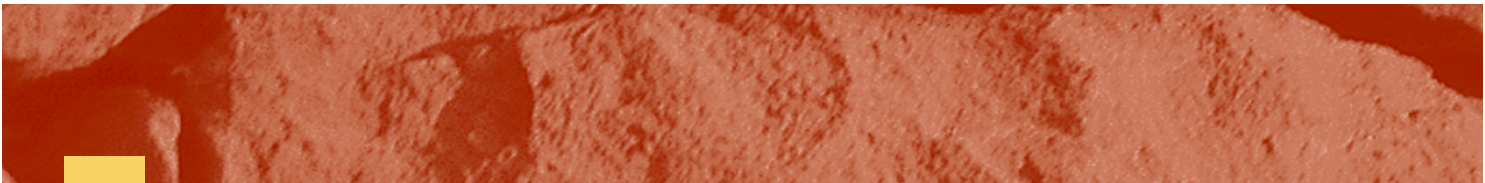
Since the democratic elections in 1994, the government has embarked on a number of strategies and initiatives to address the high levels of poverty, unemployment and uneven development in the country. These strategies have been focused on creating conditions in which the rate of economic growth might be expected to accelerate, bringing employment-creation and income-growth. A number of other supporting initiatives has been introduced to act more directly on the incomes and welfare of those in particular need e.g. welfare, health-care, water provision, sanitation and many others. Yet despite all these, of the estimated 11,4 million households, about 3,7 million are said to be living below the poverty line.

The structural changes in the South African economy have also not helped the situation. The sectoral composition has shifted from primary to tertiary sector, that is, we are moving away from being producers of goods to be increasingly producers of services. As a result of this shift, labour market demands more highly skilled and skilled workers and less semi-skilled and unskilled workers.

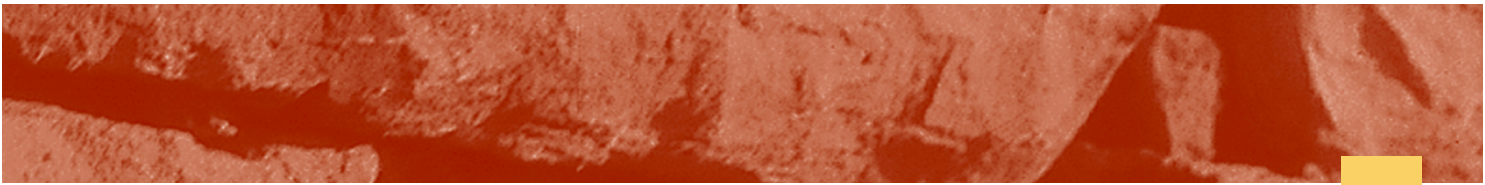
WAR ON POVERTY

During the next financial year, the Department will be investigating the possibility of initiating a programme on “War on Poverty”. The programme will seek to forge partnerships with public and private institutions in an attempt to integrate existing and new initiatives which can be seen as impacting on the welfare of poor people into a coherent framework. It will have as its core a public works programme with an overall objective of creating social assets that support the infrastructural needs of the key sectors in the economy. These partnerships are expected to have the following outcomes, among others:

- Integration of processes among the partners;
- Improved economic opportunities for the communities and local stakeholders with regard to employment, trade, skills transfer, etc;


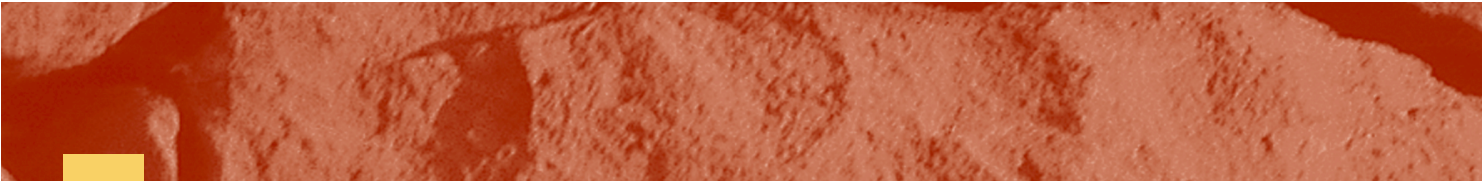


■ Sustainable economic growth and development triggered by sectoral infrastructure development.



Chapter 3

FINANCE & CORPORATE SERVICES



Management believes that the Department's financial environment, risk management and Internal controls system have improved compared to the previous years. This view is further supported by the fact that when the present management joined the department in September in 1999 they found a department riddled with the following problems:

- Lack of financial management discipline;
- Lack of risk management to mitigate the susceptibility of the department's daily financial transactions to fraud, this is prevalent in the construction environment in particular and the public service in general;
- Inadequate and ineffective system of internal control;
- A lot of vacant positions in key management positions;
- Loss of important records;
- Centralisation of operations and financial activities of Regional offices at Head Office;
- Internal audit function not fully functional;
- Information systems not adequate to support the business processes of the department;
- Business processes of the department not fully integrated and/or coordinated to derive benefits arising there from;
- New challenges brought about by the Public Finance and Management Act that took effect on 1 April 2000.

3.1 FINANCIAL MANAGEMENT ACTIVITIES

The following are some of the financial management activities that were embarked upon to address the above challenges:

3.1.1 Risk management

A Financial Management strategy was developed during the year under review and identified the following:

- Major risk areas
- Causal factors of the risks identified

In the analysis of the nature of causes of certain risks, limitations and constraints that Management is faced with, it was held that a complete turn around of the situation can only be realised within three years i.e. from April 2001 to March 2004.

3.1.2 Management Committees

Management Committee (ManCo) was established in order to address inefficiencies in the policies and procedures required to address risks within the Department. This includes all Managers both at Head Office and Regional offices and they account for the operations and activities in their areas. Meetings are held monthly.

Financial Strategic Management Committee meetings were also held monthly, where all Managers were presenting monthly commitment registers that indicated:

- Expenditure patterns
- Adherence to accounting procedures
- Explanation for over and under expenditure
- Movements in the debtors outstanding balances
- Clearance of suspense accounts
- Actions taken to adequately address the irregularities identified by the Auditor-General and internal audit in their areas

3.1.3 Unauthorised Expenditure on Major Projects and Planned Maintenance

- Works Control System was upgraded to ensure that there are adequate programmed controls to detect and prevent any expenditure to be incurred above the approved project cost.
- Works Control System (WCS) was updated for all projects to ensure integrity of information produced by systems.
- Management ensured that there is a complete and properly referenced file for each project in the Works Control System.

3.1.4 Decentralisation of Financial Activities

- Financial accountability, was decentralised to the Regional Offices.
- All the financial supporting documents and records were kept by each Regional Office instead of being sent to Head Office, in order to facilitate the audits of the Auditor-General in the Regional Offices. This eliminated the risk of documents getting lost in transit between Regional Offices and the Head Office.

3.2 FRAUD AWARENESS AND SPECIAL INVESTIGATIONS

3.2.1 Fraud Prevention Strategy

The Department has developed a comprehensive Fraud Prevention Strategy.

3.2.2 Implementation of an Anti-corruption Hotline

Plans are at an advanced stage to implement an independent anti-corruption hotline in the next financial year. This will provide a mechanism to employees, as well as members of the public to report incidents of alleged fraud and corruption. This is a highly visible measure that clearly demonstrates the Department's commitment to good governance.

3.2.3 Decisive action against perpetrators

In this regard we provided the following results:

Disciplinary hearings against officials	▶	16
Dismissals	▶	9
Other sanctions	▶	7

Table 5: Number of actions taken against perpetrators

Decisions by the State to prosecute officials criminally: 7

Decisions by the State to prosecute contractors: 6

Successful civil action against contractors: 4

3.2.4 Justice investigation

The Department, assisted by the Scorpions and the Asset Forfeiture Unit has succeeded with a High Court order to freeze the assets of two Pretoria based contractors in connection with a fraud of approximately R37,2 million.

The following challenges are identified:

- Continued investigations into cases of alleged fraud and corruption (cases reported via the Hotline, as well as otherwise);
- The implementation of the Fraud Prevention Strategy;
- The promotion of cooperation between the National Department and the Provincial Departments of Public Works in corruption busting operations; and
- The promotion of a fraud awareness climate and ethical work practices within the Department.

3.3 SUPPORT SERVICES

The support services provided within the department include Provisioning, Legal Services, Information Services, Communication and Human Resources Management. These units provide support services to internal clients, that is, line function.

3.3.1 Support Services

Support Services Directorate provides Provisioning, Travel and Accommodation Services and Security Services. Provisioning procures and provides goods and services to the Department of Public Works. These services include domestic and international travel, office services and security.

Milestones for the in the 2000/2001 financial year include:

- Fully-operational in-house travel agency;
- government pilot for Logistical Information Services (LOGIS)/Financial Management System (FMS) interface;
- specific training for Public Works officials;
- implementation of the Subsidised Vehicle Policy; and
- appointment of additional security staff to improve service delivery.


3.3.2 Future Activities

- Introduce LOGIS/FMS interface at the remaining Regional Offices;
- Outsource Government Garage (GG) vehicles;
- Align record-keeping with the transformed structures;
- Review policies and procedures to improve general service delivery; and
- Install a security system with the upgrade of the Central Government Offices in Pretoria.

3.4 LEGAL SERVICES

Areas of attention are:

- ensuring the sound administration and management of the Department's legal affairs;
- provides/procures specialised legal services to the Department; and
- critically and continuously reviews and assesses the standard instruments used for legal compliancy and expediency.



During the period under review the 416 new matters were handle, while disposing 251 matters from the previous year. The Directorate also acted as presiding officers in 6 formal misconduct hearings.

3.4.1 Legislation passed during the period under review

During the past year eight pieces of legislation through Parliament:

- Construction Industry Development Board Act, 2000 (Act No 38 of 2000);
- Council for the Built Environment Act, 2000 (Act No 43 of 2000);
- Architectural Profession Act, 2000 (Act No 44 of 2000);
- Landscape Architectural Profession Act, 2000 (Act No 45 of 2000);
- Engineering Profession Act, 2000 (Act No 46 of 2000);
- Property Values Profession Act, 2000 (Act No 47 of 2000);
- Project and Construction Management Profession Act, 2000 (Act No 48 of 2000); and
- Quantity Surveyors Profession Act, 2000 (Act No 49 of 2000).

These laws followed the finalisation of the Policy Document on the Statutory Regulation of the Built Environment Professions and the Green Paper on Creating an Enabling Environment for Reconstruction and Development of the South African Construction Industry during 1999.

Legal assistance and guidance were provided throughout the lengthy process of consultations, presentations and negotiations. The involvement of the Directorate does not end with the passing of these Acts. A lot of work remains to implement the new statutory frameworks. The Directorate will continue to assist in this process from a legal perspective in the year 2001.

3.4.2 Other Highlights

The Department also achieved the following:

- disposal of a number of major legal claims;
- drafting of important contracts that improved the general day-to-day activities of the Department;
- drafting and obtaining legal opinions for ministerial, top management and line-functionaries; and
- Filling of vacancies and the advancement of affirmative action.

3.4.3 Obstacles

Activities were hindered by:

- a lack of affordable training opportunities to enhance the legal expertise of officers;
- the loss of experienced personnel and the relatively low remuneration of legal officers at entry level compared to other Departments;
- Legal Services contacted for assistance after the fact, hence losing the opportunity for pro-active intervention;
- Legal Services not fully briefed and/or provided with all background documentation of information by Regional Offices/line-functionaries;
- matters of an administrative nature referred to Legal Services that fall outside the Directorate's responsibility of rendering legal assistance; and
- the lawsuit of the Kyalami Residents' Association against the Minister. Judgment against the Minister is being granted in the High Court.


It is however important to mention that, among others, the following challenges still present themselves;

- actively marketing the services of the Directorate within the Department and the Regional Offices in order to:
 - improve services to clients;
 - receive better submissions; and
 - be more pro-active and create awareness of legal requirements/expediencies with all clients.
 - be more directly involved with the activities of the regional offices to glean first-hand knowledge of their legal problems;
 - focus on the empowerment of personnel with knowledge and skills;
 - Kyalami Residents' Association versus Minister: To successfully appeal and/or constitutional determination of the important issues that are involved in the matter.

3.5 INFORMATION SERVICES

Under this programme the following was achieved during the period under review:

- establishing the System Owners Committee (SOC);
- establishing three Primary User Groups (PUG),
- providing a Call Centre facility during official office hours;
- successfully relocating the Client Services unit from Central Government Offices (CGO) to Poyntons;
- investigating and implementing more than 100 user requirements and procuring more than R9-million worth of equipment;
- improving financial control measures with the use of a commitment register;
- introducing a new change control process to keep the Information Technology (IT) equipment register up to date;

- 
- signing a Memorandum of Understanding with State Information Technology Authority (SITA) to save money and time by using SITA resources; and
 - establishing and networking the Mmabatho, Umtata and Pretoria Regional Offices.

3.6 COMMUNICATION

All efforts in this regard were directed at capacitating this strategic function. The biggest challenge over the period under review was to fulfil identified huge communication requirements of the Department. High on the list has been the need to address the evident lack of knowledge of client departments and communities about the role of the Department.

Indications were that the public, business community and client departments alike “confuse” the role and mandate of the Department with that of other departments and provincial Departments of Public Works. An effective multimedia communication strategy was developed and implemented to address this situation.

3.6.1 Publications

Strategic Communication interventions over the period under review emphasised the importance of internal communication in the interest of informed work force. To this end, an inhouse journal - Worxnews is produced and distributed to all staff. As for external communication the department produces a special publication dedicated to construction - Construction Industry Development (CID) news. One other publication dedicated to community based public works program, is titled Tiro. These are quarterly journals. The main objective of these publications is to showcase developments within National Public Works Program. In addition to these, adhoc brochures were produced to promote special projects undertaken by the Department.

3.6.2 Relationship Management

Great efforts have been taken to improve relations with the media. Continuous interaction with the media results in improved understanding by the media of the activities of the Department. Reduction of the amount of negative publicity is a motivation in this regard. High impact Ministerial Public Appearance Program was implemented during the period under review. The highlight of this program was a parliamentary exhibition during the Department’s budget speech.



3.6.3 Synergies

Natural synergistic linkages have been developed with the Government Communication and Information Systems. This provide valuable source of information and networking. Branding of the Public Works function of the Government is high on the priority list and this will be kick started with the establishment of the Public Works communications forum in the interest of improved and coordinated information on Public Works.

3.7 HUMAN RESOURCES MANAGEMENT

With the devolution of authority for a wide range of human resources management matters in terms of new legislation and the promulgation of the Public Service Regulations, the field of Human Resources has become a challenging and exciting one. The Department has laid a sound foundation for a pro-active human resources function by focusing its efforts on the consolidation of the management component of human resources.

3.7.1 Focus areas

- implementation of a new management framework;
- development of the human resource departmental policies; and
- maintenance of sound labour relations.

3.7.2 Recruitment and post establishment

The Department has a complete management structure headed by a Director-General, three Deputy Directors-General (Accommodation and Asset Management, Finance and Corporate Services, National Public Works Programmes) and 13 Chief Directors. All these posts are filled.

To give impetus to the process of decentralisation and promote capacity building in the Regional Offices, the posts of Area Managers were created. Area Managers provide strategic direction, co-ordination and support to the Regional Offices, with the emphasis on improving service delivery and operational efficiency and effectiveness. These posts were filled with high-level strategic-orientated personnel.

The Department recruited and retained Senior Managers and maintained senior

management stability, despite the prevailing unfavourable labour market trends. At the end of the year under review the Senior Management structure comprised of:

• Director-General:	1
• Deputy Directors-General:	3
• Chief Directors:	13
• Directors:	42
• Total:	59

Vacant positions within the Department are advertised either internally or externally depending on the level and nature of the post, to ensure quality appointments. Out of 59 Senior Management positions, 28 were advertised and filled during the period under review. The breakdown per post level is as follows:

• Deputy Directors-General:	2
• Chief Directors:	6
• Directors:	20

3.7.3 Departmental policies

A human resources audit of practices and policies was undertaken and policy gaps identified. This culminated in the development of policies and a realignment process in line with various legislative frameworks and best human resources practices. Most policies have been developed and the majority are at various stages of being institutionalised.

3.7.4 Labour relations

The goal of labour relations is to promote sound labour relations between the Department, its employees and their representative unions, as well as harmonious working relationships among employees. Labour Relations adapted to strategic and operational changes, while improving client service delivery and effectively managing labour related matters.

The relationship between the Department and the recognised employee organisations improved to such an extent that no collective dispute was experienced.

After successful negotiations with the unions in the Departmental Bargaining Council, important resolutions were reached, including:

- job evaluation policies;
- performance management policies;
- dispensation for project managers;

- security overtime in the Western Cape;
- relocation of employees in Pretoria and Cape Town; and
- affirmative action policy.

Verbal Warning	*84
Written warning.....	*52
Serious and final written warning.....	7
Dismissals.....	11
Not guilty.....	4
Other sanctions.....	4
Total	162
Arbitrations/Conciliations successfully defended:	
Alleged unfair dismissals.....	6
Residual unfair labour practices.....	3
Benefit related disputes.....	3
Total	12
Collective issues resolved	13
<i>*Estimate</i>	

3.7.5 Human Resources and Skills Development

A new Performance Management System and policy were developed and implemented in April 2001. Employees have been trained on the use of the system.

A bursary policy and allocation criteria were developed to refocus the allocation of bursaries to the department's critical needs areas. A project to further determine the department's skills profile and needs is at an advance stage for completion in the first quarter of the 2001/2002 financial year.

A second group of Senior Managers are to undergo a Senior Management Development Programme in July. Four other Senior Managers will undergo an Executive Development Programme.

3.7.6 ORGANISATIONAL TRANSFORMATION

Employment equity, affirmative action & gender

Organisational Transformation promotes the effective implementation of employment equity and affirmative action in the Department of Public Works.

These policies ensure that employees are treated fairly and afforded equal access to employment opportunities.

The following barriers were identified within various directorates:

- recruitment procedures;
- performance management systems;
- bursary allocation procedures; and
- job descriptions.

Solutions to these barriers can be through:

- incorporating external people in implementing employment equity programmes;
- establishing an Employment Equity Forum;
- implementing the Employment Equity Plan and making managers responsible for staff profile movements; and
- holding monthly briefing sessions with the directors of Human Resource Management and Human Resource Development on developments in these areas.

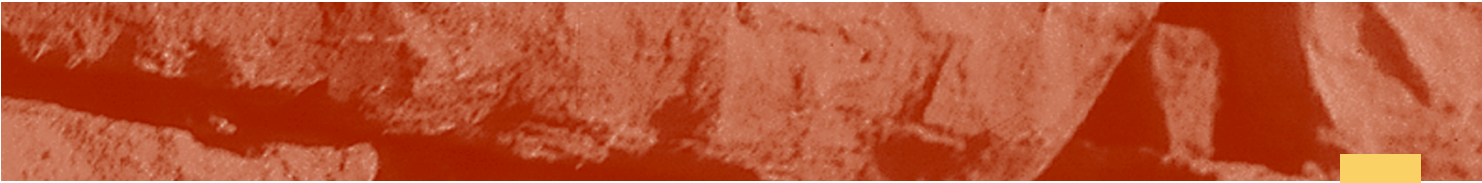
Two programmes of Organisational Transformation that warrant special attention are the HIV/AIDS and the Employee Assistance projects.

3.7.7 Employee Assistance Programme (EAP)

The EAP assists employees experiencing personal and social problems, which are affecting their work performance for this purpose, a research model that incorporates the business strategy of the organisation has been developed.

3.7.7.1 Challenges and impediments

- the EAP draft policy focuses too much on counselling and welfare;
- a staff shortage prevents the complete implementation of the programme; and
- the EAP approach must be integrated with business and strategic processes to assist the department in achieving its restructuring plans.



Chapter 4

STRATEGIC INITIATIVES

4.1 BLACK ECONOMIC EMPOWERMENT

In the course of performing its core functions, the Department as a matter of policy insists on meeting socio-economic objectives of government including economic empowerment of blacks and other previously disadvantaged groups and/or individuals. All programmes of the Department are expected to promote these goals and attain set targets where these are applicable.

To that end, the Department of Public Works has in the period under review established a Black Economic Empowerment Directorate in the Office of the Director-General to coordinate, monitor and evaluate the application of Black Economic Empowerment imperatives.

4.2 Affirmable Procurement

A Consultant Roster has been established in support of these endeavours. Professional indemnity as criteria for admittance to the professional consultant roster has been removed.

- 1 550 Firms are registered on the roster
- 294 (19%) are Affirmable Professional Service Providers (APSP)
- To date (since October 1999) 39% (in value) of all commissions were awarded to APSP's

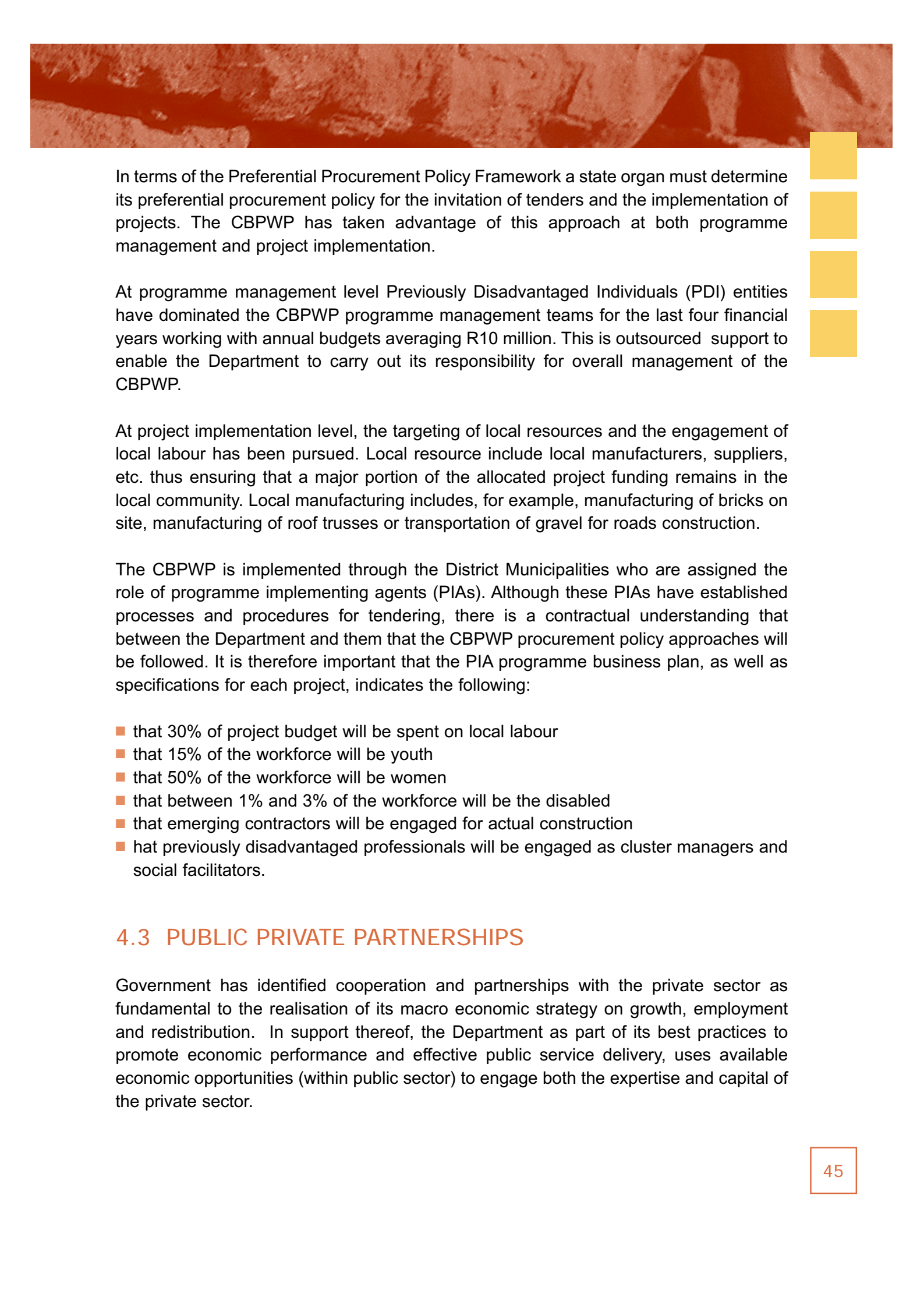
- Repair and Maintenance Programme Opportunities - Engineering

Consultants and Contractors

- | | | |
|------------------------------|---|-----|
| ■ Consultant firms appointed | : | 133 |
| ■ APSP Consultants appointed | : | 53 |
| ■ Contractors appointed | : | 95 |
| ■ ABE Contractors appointed | : | 64 |

Over the years the CBPWP has developed a number of innovative strategies that have helped to empower black South Africans. Empowerment strategies that have been utilised by the CBPWP can be discerned as follows:

- policy approaches
- project categorising
- public-private-community partnership



In terms of the Preferential Procurement Policy Framework a state organ must determine its preferential procurement policy for the invitation of tenders and the implementation of projects. The CBPWP has taken advantage of this approach at both programme management and project implementation.

At programme management level Previously Disadvantaged Individuals (PDI) entities have dominated the CBPWP programme management teams for the last four financial years working with annual budgets averaging R10 million. This is outsourced support to enable the Department to carry out its responsibility for overall management of the CBPWP.

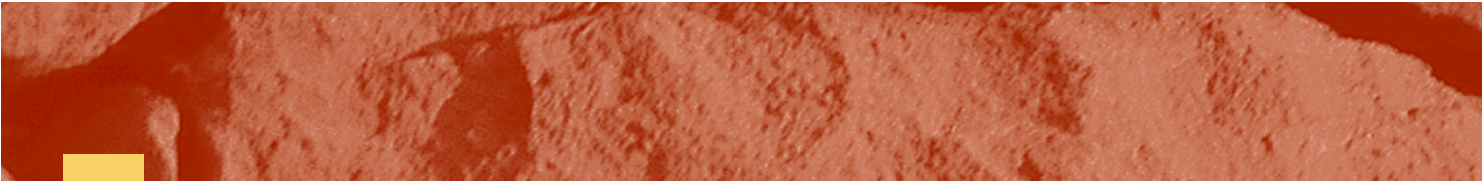
At project implementation level, the targeting of local resources and the engagement of local labour has been pursued. Local resource include local manufacturers, suppliers, etc. thus ensuring that a major portion of the allocated project funding remains in the local community. Local manufacturing includes, for example, manufacturing of bricks on site, manufacturing of roof trusses or transportation of gravel for roads construction.

The CBPWP is implemented through the District Municipalities who are assigned the role of programme implementing agents (PIAs). Although these PIAs have established processes and procedures for tendering, there is a contractual understanding that between the Department and them that the CBPWP procurement policy approaches will be followed. It is therefore important that the PIA programme business plan, as well as specifications for each project, indicates the following:

- that 30% of project budget will be spent on local labour
- that 15% of the workforce will be youth
- that 50% of the workforce will be women
- that between 1% and 3% of the workforce will be the disabled
- that emerging contractors will be engaged for actual construction
- hat previously disadvantaged professionals will be engaged as cluster managers and social facilitators.

4.3 PUBLIC PRIVATE PARTNERSHIPS

Government has identified cooperation and partnerships with the private sector as fundamental to the realisation of its macro economic strategy on growth, employment and redistribution. In support thereof, the Department as part of its best practices to promote economic performance and effective public service delivery, uses available economic opportunities (within public sector) to engage both the expertise and capital of the private sector.



Using public sector tender procedures and other strategic initiatives, all contracts are awarded the private sector, including emerging contractors, for professional and swift delivery of services.

As a strategic intervention, the Department has brought on board the professional services of the private sector to augment the capacity and agility of its project management, both at the head office and regional levels.


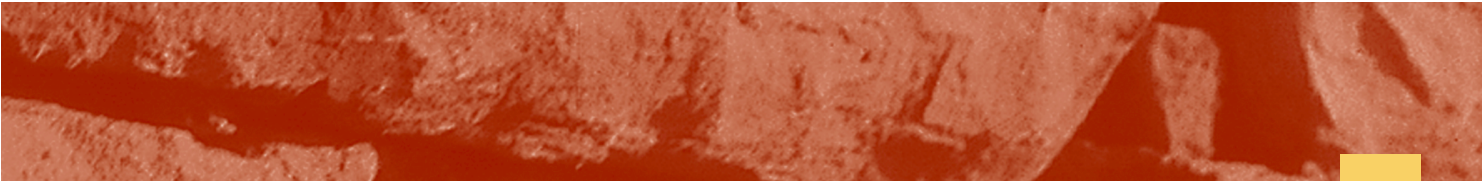
In introducing special projects the CBPWP afforded itself opportunity to be able to address specific imperatives as well as the ability to forge and/or facilitate public/private-community partnerships.

The Clean and Green programme is one such example of a tripartite partnership. The Department of Public Works and the South African Breweries initiated this programme which identifies one-person-contractors to provide clean-ups in predominantly urban areas where no formalised refuse removal has existed. Ten million rand worth of Clean and Green projects were implemented in 2000/2001 financial year in seven provinces (Eastern Cape, Free State, Gauteng, KwaZulu Natal, Northern Province, North West and Western Cape).

The Community Production Centres (CPCs) are an example of rural focused special projects with potential for public-private-community partnership. First introduced in 1999, the CPCs are established with a view to promoting agriculture based production activities for market. They promote community and emerging farmer participation and ownership with contracted support where necessary from the private sector. The basis for success of the CPC approach lies in the effective co-ordination, partnership and the blending of the respective policies and strategies by the relevant government, private and community role-players.

Three key strategies have been formulated in order to ensure the effectiveness of the Community Production Centres, namely:

- (a) Co-ordination with relevant government departments. The Department of Agriculture has been playing a leading role from a point of view of technical input. So have the Department of Water Affairs and Forestry and the Department of Land Affairs.
- (b) Community facilitation and capacitation. Legal entities representing the communities have been established and management capacity is being developed in all the projects to take up ownership, operation, maintenance and management responsibility.



(c) Revolving finance for operations and inputs. A policy has been formulated in terms of which 10% of the project funds is invested with a financial institution for utilisation by emerging farmers as revolving credit facility for start-up capital.

A contractor farm manager was engaged at Lambase in the Eastern Cape to mentor and build the capacity of the community management structure so that the latter takes over the running of the business. At Cairn Lemon CPC in Mpumalanga, the CBPWP has supported a community initiative, in partnership with a private company, where 77 farmers have won two quotas for the supply of lemon oil to Coca Cola International.

4.4 HIV/AIDS Policy Programme

The programme promotes the effective implementation of HIV/AIDS education in the Department of Public Works to protect staff from spreading and contracting the virus.


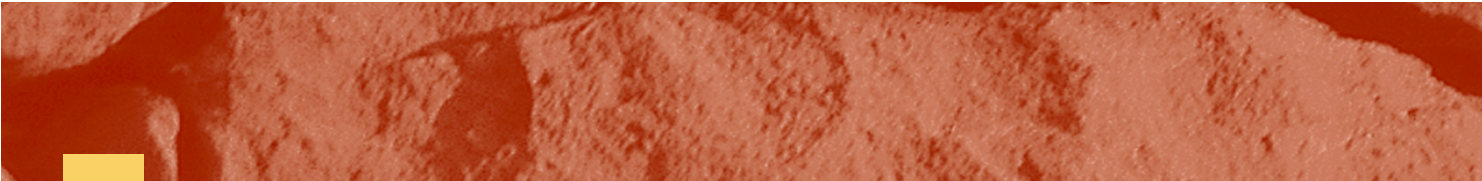
The Department has been a leader and coordinating efforts of national infrastructure Departments in relation to the development, transformation and growth of the construction industry.

Because of this responsibility towards industry development, the Department also carries the responsibility of responding to the issue of HIV/AIDS as it relates to the broader industry.

The construction industry has the 2nd highest incidence of HIV/AIDS in South Africa. The Department is developing a strategy to promote HIV/AIDS awareness on all Public Works projects. It is hoped that this strategy will find wider application by all organs of state that engage the services of the construction industry.

The CIDP is currently developing an external HIV/AIDS response that will become an action plan for the department to programme into its activities and interactions with the industry during the next three years. This response focuses on critical aspects requiring departmental leadership in terms of creating an appropriate industry response which focuses on leadership, advocacy and combating programmes in collaboration with other government departments involved in the construction industry, the CIDB, Council for Built Environment and Construction Education and Training Authority.

For the Department to have credibility, there is a need to demonstrate commitment to this course through responsive mechanisms implemented in its projects. To this end, a procurement strategy is being developed where HIV/AIDS awareness would be an integral part of procuring services. Coordination with other Departments such as Housing is also being pursued. This external strategy should be complete within the next few weeks. The strategy would be based on a 3-year work plan.



It is cautioned again that the success of such strategy depends on internal cooperation between the policy/strategy developers the sections procuring work.

The strategy will further recommend that service providers would have to provide a workplace strategy for dealing with HIV/AIDS before they could be awarded any contracts by DPW. This has further implications for on-site inspection and monitoring.

The introduction and maintenance of a HIV/AIDS strategy is solely dependent upon the resources and backing which must be provided by management, with gusto and enthusiasm.

The CBPWP possesses a capacity to respond to specific imperatives and to forge partnerships and co-ordination with certain stakeholders in order to make a maximum impact on the lives of the poor. This is achieved through the implementation of special projects one of which is the HIV/AIDS infrastructure support programme which is aimed at creating infrastructure development which will be beneficial to rural communities to offset the devastation caused by HIV/AIDS.

The Department is co-operating with the Department of Health as well as the Department of Social Development and District Municipalities.

4.4.1 WHAT HAS THE DEPARTMENT DONE THUS FAR

Besides the inputs received from the entire Department, there are activities that the Department has engaged in, which are as follows:

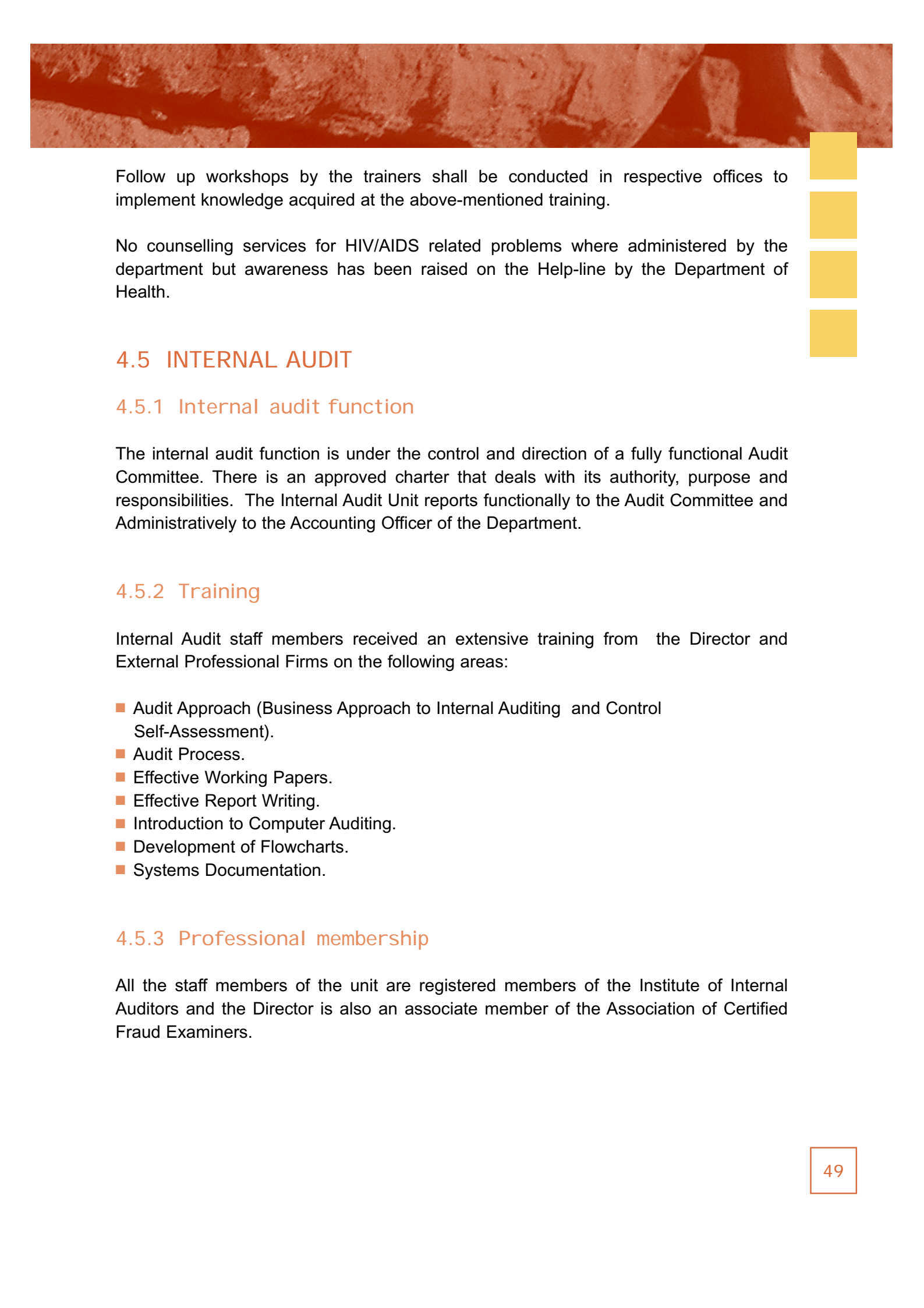
A Departmental committee was established to facilitate the process of developing a working document on issues around HIV/AIDS, and its chaired by the Chief Directorate: Human Resource Management. When developing the strategy lessons learnt from this committee and ways of beefing it up will have to be looked into.

HIV/AIDS policy has been formulated and endorsed.

Awareness raising was conducted through talk sessions: and presentation by a person infected by HIV/AIDS. Pamphlets were distributed throughout our office entrances and toilets, and posters are constantly displayed in the buildings.

In November 2000 an awareness survey was conducted and a report written.

Training was attended by HIV/AIDS co-ordinators. Regional representatives were trained by Vista in a programme co-ordinated by Department of Health, Dept. of Public Service Administration, Dept. Social Development and United Nations Population Fund.



Follow up workshops by the trainers shall be conducted in respective offices to implement knowledge acquired at the above-mentioned training.

No counselling services for HIV/AIDS related problems were administered by the department but awareness has been raised on the Help-line by the Department of Health.

4.5 INTERNAL AUDIT

4.5.1 Internal audit function

The internal audit function is under the control and direction of a fully functional Audit Committee. There is an approved charter that deals with its authority, purpose and responsibilities. The Internal Audit Unit reports functionally to the Audit Committee and Administratively to the Accounting Officer of the Department.

4.5.2 Training

Internal Audit staff members received an extensive training from the Director and External Professional Firms on the following areas:

- Audit Approach (Business Approach to Internal Auditing and Control Self-Assessment).
- Audit Process.
- Effective Working Papers.
- Effective Report Writing.
- Introduction to Computer Auditing.
- Development of Flowcharts.
- Systems Documentation.

4.5.3 Professional membership

All the staff members of the unit are registered members of the Institute of Internal Auditors and the Director is also an associate member of the Association of Certified Fraud Examiners.

4.5.4 External Assistance

The Unit is responsible for auditing 17 Head Office Auditable Units and 11 Regional Office of the Department. In the light of the capacity of the Unit the Audit Committee approved the contracting of external audit firms to assist in the audit of Regional Office for the year ended 31 March 2001, while the Unit was concentrating on Head Office audits and special fraud examinations.

A Consortium of audit firms was appointed and made up of PriceWaterHouseCoopers, MSGM Masuku Jeena Incorp. and Gobodo incorporated. These firms documented all the systems operational in the Regional offices. They also developed the fraud control strategies, which formed part of the fraud prevention plan of the Department.

4.5.5 Internal Control

The Consortium evaluated the systems of internal control and accounting in all the Regional offices and observed progress made in addressing the previous inefficiencies identified by the Auditor General and recommended controls for improvement in areas not properly addressed.

The Regional offices and Head Office Units were also assessed on their knowledge and compliance with the provisions of Public Finance Management Act (PFM Act). The awareness was found to be average, hence there was a need for a Procedure Manual that fully addresses PFM Act requirements.

4.5.6 Audit Approach

The Internal Audit Unit's objectives are to assist the Minister and Management in the effective discharge of their responsibilities in the Department.

The Unit adopted an approach called the "Business Approach to Internal Auditing" [BAIA]. The approach is based on the model of organisational performance Management, which has these components:

- Customer needs.
- Performance objectives.
- Risk and
- Control.

The approach is applicable to all types of audits and is not financial bias.

4.5.7 Areas covered during the year

The Unit's activities covered the following areas:

- Preliminary survey audits.
- Performance Audits.
- Systems Documentation.
- Follow-up on the previous Auditor General's Audit findings.
- Development of a fraud control strategies.
- Fraud Examinations.

4.5.8 Audit Committee

In turn the Audit Committee reports directly to the Accounting Officer of the Department.

4.5.9 Composition

The Audit Committee of the Department was composed of four external parties and one internal party. The four external members are from Commerce, Legal and Academic backgrounds, and the internal party is a member of Top Management in the Department.

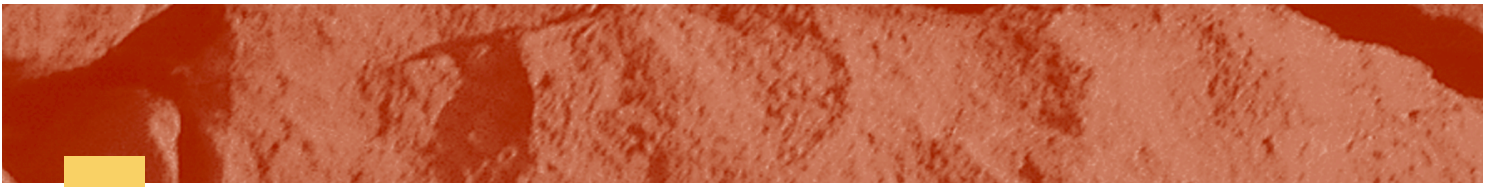
The committee members were as follows:

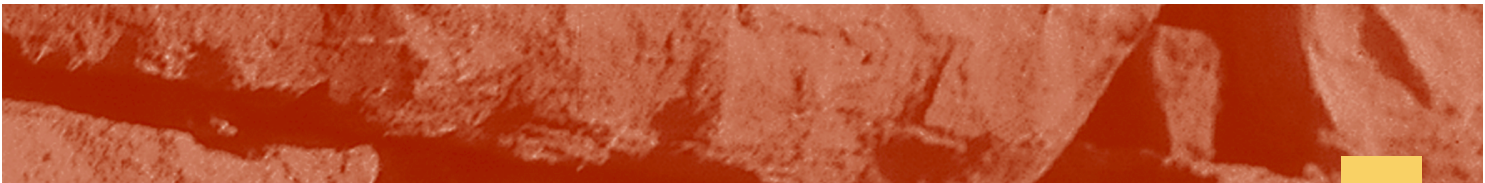
Mr B Petersen	Chairman
Prof B B van der Schyf	External
Mr E T Maboea	External
Ms T Hlatshwako	External
Mr A Sangqu	Internal

4.5.10 Meetings

The Committee holds four ordinary committee meetings per annum. Special meetings are held on requests of members, Top Management and Auditor General.

The Chairman meets with the Accounting Officer at least twice per annum to report the activities of the committee.





AUDITOR - GENERAL

**REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL
STATEMENTS OF VOTE 26 - PUBLIC WORKS FOR THE YEAR
ENDED 31 MARCH 2001**

1 AUDIT ASSIGNMENT

The financial statements as set out on pages 63 to 76, for the year ended 31 March 2001, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with the relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements and the compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

2 REGULARITY AUDIT

2.1 Nature and scope

2.1.1 Financial audit

The audit was conducted in accordance with generally accepted government auditing standards which incorporate generally accepted auditing standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

Due to the nature of the prescribed accounting practice, the audit was performed within a financial reporting framework which does not at this stage necessarily result in a fair presentation of the results of operations, financial position and cash flows for any financial period.

I believe that the audit provides a reasonable basis for my opinion.

2.1.2 Compliance audit

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects, with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

2.2 Qualification

2.2.1 Financial audit

(a) Control environment

As explained below, there were serious shortcomings in the department's systems of internal control which resulted in supporting documentation for significant amounts and certain critical reconciliations not being available. Furthermore, the overall internal control environment of the department was weakened by a shortage of appropriate skills and a high staff turn-over. It was also not possible for me to perform alternative audit procedures. Consequently, I did not obtain all the information and explanations I deemed necessary to satisfy myself as to the accuracy and validity of the amounts disclosed in the financial statements.

■ Systems reconciliations

The department prepared its financial statements from the information contained in the Financial Management System (FMS), with the majority of the financial information originating from subsystems such as the Personnel and Salary System (PERSAL), the Works Control System (WCS) and the Property Management Information System (PMIS).

However, the audit revealed that reconciliations, which are considered to be key control measures, are not adequately prepared to ensure the accuracy and validity of the amounts reflected in the FMS and eventually disclosed in the financial statements. Some inherent system limitations also exist which make the performance of reconciliations difficult.

The following are the specific audit findings in this regard:

■ WCS

The department did not perform any reconciliation between the FMS and the WCS for the year under review and a subsequent reconciliation by this office was also not possible since the monthly balances from the WCS were not available. Furthermore, a comparison of transactions between these systems revealed a significant number of unmatched transactions which could not be explained.

■ PMIS

The PMIS is not being used to capture all financial transactions relating to the management of state property under the department's control. The department did not perform any reconciliation between the FMS and the PMIS for the year under review.

■ PERSAL

The reconciliation between the FMS and PERSAL was not properly performed.

■ Document controls

In a number of instances, supporting documentation for significant amounts requested for audit testing and subsequent reconciliations were not made available and to some extent did not include all information deemed necessary to confirm the validity, accuracy and completeness of the expenditure incurred. Due to inherent system limitations, sufficient audit trails were also not always available to trace transactions to the relevant source documentation.

The audit tests also revealed instances where unauthorised amendments to supporting documents and incorrect recording of transactions in the subsystems occurred without being detected by management as a result of inadequate internal controls.

(b) Accounts receivable

An amount of R59 743 000 included in the amount of R178 029 000 disclosed as accounts receivable may not be recoverable. The debt write-off policy as contained in the Statement of Accounting Policies and Related Matters (Note 4), is not in line with the policy that was applicable to all national departments in terms of Treasury's guidelines. The disclosed balance for accounts receivable is therefore regarded to be overstated by R59 743 000.

(c) Contingent liabilities

No departmental policy existed regarding the accounting for retention monies. As a result, retention monies are not accounted for consistently and the audit tests revealed that this item could be materially misstated in the financial statements.

2.2.2 Compliance audit

(a) Non-compliance with laws and regulations

The evaluation of compliance with laws and regulations for the year under review and the follow-up of the previous year's report, revealed the following shortcomings:

- In terms of section 38(1)(a)(i) of the PFMA, the accounting officer must ensure that the department has and maintains effective, efficient and transparent systems of financial and risk management and internal control. However, as detailed in paragraph 2.2.1 above, the audit revealed significant weaknesses in the system of financial management and internal control.

- In terms of section 40(1)(a) of the PFMA, the accounting officer must keep full and proper records of the financial affairs of the department. For the year under review, transactions were not all supported by authentic and verifiable source documents.
- Section 38(1)(f) of the PFMA states that obligations must be settled within the prescribed or agreed period. The audit for the year under review revealed that payments totalling R20 266 000 were not made within the prescribed 30-day period.
- The department is responsible for all property leasing on behalf of the state and should maintain proper systems of control that will ensure the prevention and detection of fruitless and wasteful expenditure. In terms of section 38(1)(q) of the PFMA, any unauthorised, irregular or fruitless and wasteful expenditure must be reported immediately. Cases of irregular payments, and fruitless and wasteful expenditure were revealed by my audit, which were not reported nor disclosed in the financial statements.
- State Tender Board regulations require purchases exceeding R30 000 to be placed on tender. No tenders were placed for 40 of the 328 transactions tested. Works orders to the amount of R3 441 880 were broken down below this tender limit to bypass the normal control system. See also paragraph 3.6 in this regard.
- In terms of section 38(1)(j) of the PFMA, the accounting officer of the department, before transferring any funds to an entity within or outside Government, must obtain a written assurance from the entity that that entity implements effective, efficient and transparent financial management and internal control systems, or, if such written assurance is not or cannot be given, render the transfer of the funds subject to conditions and remedial measures requiring the entity to establish and implement efficient and transparent financial management and internal control systems. Transfers to the value of R7 535 964 were made by the department during the year under review without obtaining such assurances.

(b) Safeguarding of assets

Of the 474 A-class items tested, 64 cases indicated variances between the asset register and the items on hand and sufficient explanations could not be provided. Furthermore, at three of the five regional offices where this was audited, no asset register was kept for the period under review.

(c) Personnel expenditure

Remuneration costs for persons appointed, other than staff appointed and registered on PERSAL, have been misallocated to personnel expenditure. The result of the audit test revealed an amount of R1 700 000 in this regard. Therefore, the amount disclosed as

personnel expenditure is overstated, and professional and special services understated with at least this amount.

2.3 Audit opinion

2.3.1 Disclaimer of opinion: Financial audit

Because of the significance of the matters discussed in paragraph 2.2.1, I do not express an opinion on the financial statements of the Department of Public Works for the financial year ended 31 March 2001.

2.3.2 Qualified opinion: Compliance audit

Based on the audit work performed, except for the matters referred to in paragraph 2.2.2, nothing has come to my attention that causes me to believe that material non-compliance with laws and regulations, applicable to financial matters, has occurred.

3 EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

3.1 Late submission of financial statements and audit report

Section 40(1)(c)(i) of the PFMA requires financial statements to be submitted to the Auditor-General within two months after the end of the financial year. The original set of financial statements were signed by the accounting officer and submitted for audit purposes on 17 July 2001. However, these financial statements required material changes and were returned to the department for corrections. The corrected financial statements were re-signed by the accounting officer, and resubmitted for auditing on 14 September 2001. This date is thus recognised as the submission date of the statements and is considered to be a late submission and technically a non-compliance with the requirements of the PFMA.

Furthermore, section 40(2) of the PFMA requires the Auditor-General to audit the financial statements and submit an audit report on those statements within two months of receipt of the statements. Subsequent to the completion of the audit on the resubmitted statements of 14 September 2001, management expressed concern about

the non-availability of supporting documentation. Further supporting documentation and management representations were thereafter received and audited until 8 April 2002. I was thus unable to comply with this requirement of the PFMA and to submit an audit report to the accounting officer on a timely basis.

3.2 Management of State-owned fixed assets

(a) The following are examples of control weaknesses identified during the audits:

(i) High-level computer information system overview of the general controls environment of the Debtors System

The service level agreement (SLA) between the Department of Housing and the provider of system maintenance and support had not been revised or renewed after it expired on 31 March 1997. The department depended heavily on the expertise of key users and information technology (IT) personnel for the maintenance and support of the system. The risk therefore existed that should the above-mentioned personnel not be available for a period of time, the department would experience problems in maintaining its business operations.

The programmers had access to the production environment to transfer programs to the production environment after changes had been tested. The programmers could also make changes to the data in the live environment. Access to the production environment was not restricted to enforce adequate segregation of duties between the IT and user functions and reliance could therefore not be placed on the data integrity.

Although a disaster recovery plan had been deployed at the State Information Technology Agency (SITA) and a recovery site was available, a contingency plan had not yet been established by the department to ensure that the system would be recovered satisfactorily in the event of a disaster.

(b) Application Controls

■ WCS

A lack of adequate user controls existed to ensure that project documentation was accurate, complete, adequately authorised and kept on the project files. There was also no evidence that the project costs processed on the WCS and on the FMS had been reconciled.

Furthermore, a lack of computerised controls to prevent the acceptance and processing of duplicate transactions on the WCS and a lack of controls to prevent the programmers' access to the production environment, were identified.

■ PMIS

A lack of adequate user controls was identified to ensure the complete and accurate record keeping of state-owned and leased property. Several cases were revealed where property details were not captured and in other instances these details were captured more than once on the PMIS.

A firm was contracted in at a cost of R56,8 million to co-ordinate and manage the updating and cleaning of the PMIS data. However, data on the invoice file, the property file and the sold property file was at the time of the audit still incorrect.

The preliminary results of a separate audit of the National Register of State-owned fixed assets revealed concerns with regard to the accuracy, validity and completeness of the information contained in that register. However, the audit is still in progress and the final results will be reported on in a separate report in due course.

3.3 Internal Audit Function

The department's internal audit function commenced with its activities during the year under review in terms of a co-sourcing agreement involving the in-house capacity and the support of a consortium of external audit firms. Internal Audit is currently busy determining whether the key performance objectives of each of the various divisions of the department is aligned with the department's overall strategic objectives.

The next stage of the internal audit programme is to determine the adequacy of the internal controls put in place to prevent, detect and correct misstatements in the financial statements.

Because internal audit had not performed audits prior to my audit for the 2000-01 financial year, no reliance could be placed on the work of the internal audit. However, the work performed on systems descriptions prepared by Internal Audit was used for my audit process.

3.4 Financial management

The budget of R3 521 587 000 for the 2001-02 financial year has not been allocated to posting level items to enable proper control over the expenditure per item. This state of affairs has a direct effect on proper control and disclosure in the financial statements, and on public accountability as a whole.

3.5 Resolutions by the Standing Committee on Public Accounts

The following resolutions by the Standing Committee on Public Accounts in its twenty-ninth report for 1998 had not been sufficiently addressed by the department for the year under review:

■ Deficient internal checking and control

Debtors

The Committee's recommendation that, in addition to the statistics on the success rate of the tracing agents which the accounting officer has undertaken to submit to the Committee, the age analysis of the department's current debtors, as well as brief information on the plans and targets to bring down the outstanding debts must also be submitted.

Provisioning administration

The Committee's recommendation that the Accounting Officer provides details on the manner in which A-class accountable items will be accounted for in the future, given the reported approval of a "red line approach" received from the former Department of State Expenditure in this regard.

■ Transformation process

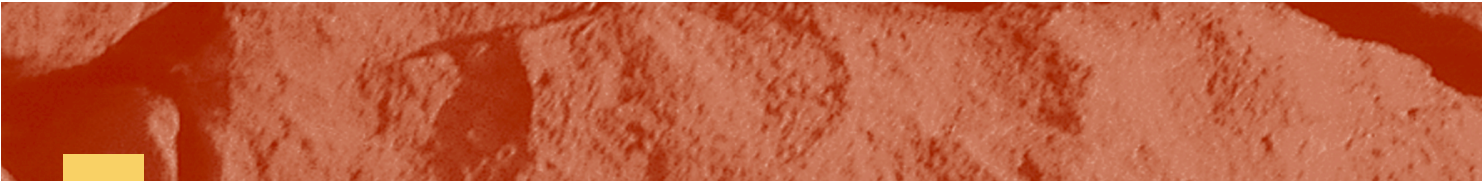
The Committee's recommendation that the department:

- (a) ensure that the programme of transformation and decentralisation be accompanied by the necessary training of staff members and filling of vacant posts with a view to ensuring skilled staff at all levels, but especially at middle management level, to not only fulfil line functions, but also to support financial control functions; and
- (b) furnish the Committee with details of its strategic training plan, containing target dates, measurable objectives and evaluation methods.

3.6 Alleged Irregularities

An investigation by the Directorate: Fraud Awareness and Special Investigations has resulted in internal disciplinary action against 11 officials. All 11 officials have been found guilty on several charges of misconduct and have also been dismissed. Criminal charges were laid against four officials.

Furthermore, a forensic audit in the Durban Regional Office deserves special

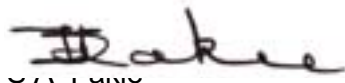


mentioning. This corruption busting exercise in conjunction with the Forensic Component of my Office delivered the following results:

- Several officials have been identified as being involved in various irregularities.
- Criminal charges were laid against two officials and six contractors.
- Civil action is in process against four contractors and one official.

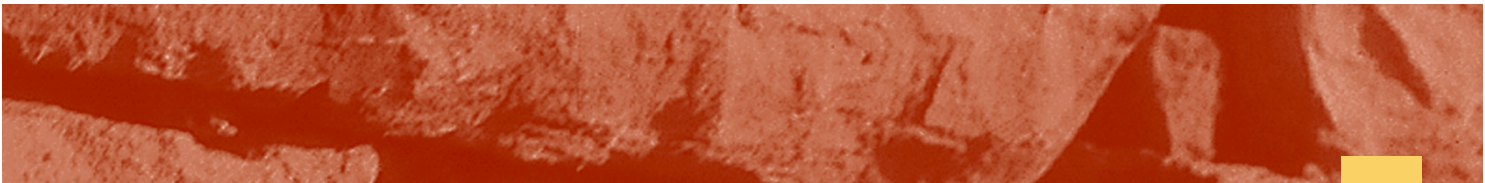
4. APPRECIATION

The assistance rendered by the staff of the Department of Public Works during the audit is sincerely appreciated.



Auditor-General

Pretoria
8 April 2002



ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2001



1 Basis of accounting

The financial statements have been, unless otherwise indicated, prepared on the historical cost basis in accordance with the following policies which have been applied consistently in all material respects.

1.1 Underlying assumptions

The financial statements have been prepared on the cash basis of accounting except where stated otherwise. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid. This basis of accounting measures financial results for a period as the difference between cash payments. Reliance is placed on the fact that the Department is a going concern.

However, 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, Act 1 of 1999 (as amended by Act 29 of 1999) and the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act.

1.2 Revenue

Revenue of the State and/or departmental receipts are paid over to the principal receivers of revenue. Unexpended voted funds are surrendered to the National/Provincial Revenue Fund.

1.3 Expenditure

The income statement includes both current and capital expenditure. Unauthorised expenditure is not accounted for as expenditure until such expenditure is either authorised by Parliament, recovered from a third party, or founded from the following year's appropriation.

1.4 Assets

Physical assets (fixed assets, moveable assets and inventories) are written off in full when they are paid for and are accounted for as expenditure in the income statement. The balance sheet therefore excludes physical assets unless stated otherwise.



1.5 Receivables and payables

Receivables and payables are not normally recognised under the cash basis of accounting. However, receivables and payables included in the balance sheet arise from cash payments which are recoverable and cash receipts which are due to either the National Revenue Fund or another party.

2 Comparative figures

The comparative figures shown in these financial statements are limited to the figures shown in the previous year's audited financial statements and such other comparative figures that the department may reasonably have available for reporting in terms of the Public Finance Management Act.

3 Unauthorised, irregular, and fruitless and wasteful expenditure

Unauthorised, irregular, and fruitless and wasteful expenditure is treated as a current asset in the balance sheet until such expenditure is recovered, authorised by Parliament, or set off against future voted funds.

NATIONAL DEPARTMENT: PUBLIC WORKS

**INCOME STATEMENT (Statement of Financial Performance)
FOR THE YEAR ENDED 31 MARCH 2001**
(all figures R 000)

Previous year		Note	Current year		
Actual	INCOME		Actual	Voted amount	Variance Over/(under) collection
4,418,148	Voted funds - Current year	1	4,454,775	4,921,994	(467,219)
36,530	Other receipts		41,488	0	41,488
<u>4,454,678</u>	Total income		<u>4,496,263</u>	<u>4,921,994</u>	<u>(425,731)</u>
Actual			Actual	Voted amount	Variance Over/(under) collection
4,018,398	EXPENDITURE		4,190,948	4,921,994	731,046
<u>436,278</u>	NET SURPLUS (DEFICIT) FOR THE YEAR		<u>305,315</u>	<u>0</u>	<u>305,315</u>
Actual			Actual		
36,530	Income transferred to Revenue Fund	2	41,488		
399,748	Voted funds to be surrendered to Revenue		263,627		
<u>436,278</u>			<u>305,315</u>		
Actual	EXPENDITURE PER PROGRAMME	3	Actual	Voted amount	Variance Over/(under) collection
110,725	Programme 1: Administration		130,492	130,492	0
3,482,449	Programme 2: Provision of land and accommodation		3,428,062	4,149,892	721,810
407,584	Programme 3: National Public Works Programme		618,925	631,188	12,263
14,410	Programme 4: Auxiliary and associated services		9,302	10,422	1,120
3,230	Special function		4,147	0	(4,147)
<u>4,018,398</u>	TOTAL EXPENDITURE		<u>4,190,948</u>	<u>4,921,994</u>	<u>731,046</u>
Actual	EXPENDITURE PER STANDARD ITEM		Actual	Voted amount	Variance Under/(over) expenditure
258,504	Personnel expenditure		281,144	311,916	30,772
40,636	Administrative expenditure		50,684	49,254	(1,430)
20,789	Inventory		19,103	19,803	700
18,572	Equipment	4	31,502	25,352	(6,150)
737,331	Land and buildings	5	702,036	760,887	58,851
2,920,678	Professional and special services	6	3,091,166	3,730,376	639,210
13,319	Transfer payments	7	7,536	18,831	11,295
7,569	Miscellaneous	8	7,777	5,565	(2,212)
<u>4,018,398</u>	TOTAL EXPENDITURE		<u>4,190,948</u>	<u>4,921,994</u>	<u>731,046</u>
Previous year actual	ECONOMIC CLASSIFICATION OF EXPENDITURE		Current year actual	Current year % of total	
1,124,934	Capital expenditure		883,362	23.46	
2,880,145	Current expenditure		3,200,050	76.36	
0	Capital transfers		0	0.00	
13,319	Current transfers		7,536	0.18	
<u>4,018,398</u>	Total		<u>4,190,948</u>	<u>100.00</u>	
Previous year actual	PRIOR YEAR(S) EXPENDITURE ALLOWED DURING CURRENT YEAR		Actual		
	Reason(s) why previously disallowed	Nature of expenditure			
	Unauthorized Expenditure	Detail as per 44 report	24,318		
	Total		<u>24,318</u>		

NATIONAL DEPARTMENT: PUBLIC WORKS

NOTES TO THE INCOME STATEMENT (continued)
for the year ended 31 MARCH 2001
(all figures R 000)

1	Other receipts	
	Description	Actual
	Sale of State Land Hire Purchase	1 936
	Revenue Interest and Dividends	1 000
	Sale State Land Cash	6
	Sale State Land (Hire Purchase)	835
	Subs. Transp. Loan-Debt-Repay	58
	Recoverable Rental Deposits	(8)
	Other Advances	0
	Official Quarters	847
	Other Accomodation Rentals	30
	State Land Rental Monies	134
	Servitude Rights	11
	Parking Fee	132
	State Land Sales (Cash)	6 581
	Sale of Buildings & Structures	1 969
	Selling's at Walvisbaai	327
	Uplifting of Conditions	42
	Fines (WCS - Item)	(349)
	Fines	8
	Subsidised Veh Pmt Deduction	10
	Electricity Water and Lights	148
	Departmental Debt Repayments	22
	Losses Recover (100% Housing)	132
	Sale of Waste Products	6
	Sales: Tender Documents	1 174
	Sale: Redundant Furniture/Equip	23
	Re-issue: Photo I.D. Cards	0
	Photostat Copies	0
	Commissions on Insurance Prem	265
	Expenditure Previous Fin. Year	6 308
	Unclaimed warrant vouchers	12 486
	Surplus cash: Cashier	0
	Surplus cash: Petty cash	0
	Revenue iro Land Div Comm	37
	Transp betw Res & Work (Arrear)	9
	Transp betw Res & Work (Arrear)	14
	LI Rentals Receipts	7 295
	LI Sales Receipts	(2)
	Total	<u>41,488</u>
2	Income transferable to Revenue Fund	
		Actual
	Revenue transfers i.r.o. previous year	11,465
	Revenue transfers i.r.o. current year	25,688
	Current year revenue transfers outstanding	4,335
	Total	<u>41,488</u>

NATIONAL DEPARTMENT: PUBLIC WORKS

**NOTES TO THE INCOME STATEMENT (continued)
for the year ended 31 MARCH 2001
(all figures R 000)**

3 Expenditure per programme and explanation of material differences

	Actual	Voted	Variance	0
Programme 1: Administration	130,492	130,492		
Sub programme: Ministry	2,962	939	(2,023)	
Sub programme: Management	23,692	19,382	(4,300)	
Sub programme: Internal Audit	1,534	1,583	49	
Sub programme: Finance	26,220	25,740	(480)	
Sub programme: Corporate Services	76,094	62,848	(13,246)	
Programme 2: Provision of land and accommodation	3,428,092	4,149,892		721,810
Sub programme: Land, Buildings & Structures	3,305,529	3,976,790	671,261	
Sub programme: Administration: Prog 2	63,662	65,782	(2,120)	
Sub programme: Property Management	38,891	107,320	68,429	
Programme 3: National Public Works Programmes	618,925	631,188		12,263
Sub programme: Policy	3,206	4,760	1,554	
Sub programme: Community-based Public Works Programme	29,372	0	(29,372)	
Sub programme: Community-based Public Works Programme Implementing Agents	574,847	605,046	30,199	
Sub programme: Administration: Prog 3	11,500	21,382	9,882	
Programme 4: Auxiliary and associated services	9,362	10,422		1,120
Sub programme: Compensation for losses	1,512	1,000	(512)	
Sub programme: Distress relief	0	1	1	
Sub programme: Lookout Settlement	0	1	1	
Sub programme: As to org's for pres of nat mem: CWGC and	6,457	6,900	343	
Sub programme: Grants-in-aid: Parliamentary Villages Management Board	1,079	500	(579)	
Sub programme: Decorations for public functions	0	90	90	
Sub programme: Government motor transport	254	500	246	
Sub programme: Sectoral Education and Training Authority	0	1,530	1,530	
Special Functions	4,147	0		(4,147)
Thefts and Losses	4,150	0	(4,150)	
Cash Discount	(12)	0	12	

Explanation of material differences

Programme 1: The over-expenditure is due to the realignment of the Department to meet the transformation strategy of government by expanding the management structures at head office and regional offices which had an effect on personnel expenditure and associated costs. With effect from 1 January 2001, expenditure was incurred for Senior Management Service (SMS) whilst the funding was budgeted for by the DPWSA of which the recovery has not yet effected.

Programme 2: The under-expenditure is due to the nature of the major projects being executed. These are multi-year projects and they are also cyclical in nature. There is long lead time before projects can physically take-off and actual expenditure realise, as a lot of pre-planning has to be done in conjunction with client departments. Change of requests by Client Departments during the course of the financial year further contributes to the problem of delayed execution of major

Programme 3: The under-expenditure is due to operational expenditure which was lower than expected bringing into consideration the amount allocated to the projects which must be administered.

Programme 4: The under-expenditure is mainly due to the contribution to the Sectoral Education and Training Authority which had not realised because the Human Resources Development Directorate which will control these contributions was not fully operational.

NATIONAL DEPARTMENT: PUBLIC WORKS

NOTES TO THE INCOME STATEMENT (continued)
for the year ended 31 MARCH 2001
 (all figures R 000)

4	Equipment						
	Description		Actual				
	Current expenditure		3,804				
	Capital expenditure		27,698				
	Total		31,502				
5	Land and Buildings						
	Description		Actual				
	Current expenditure		700,591				
	Capital expenditure		1,445				
	Total		702,036				
6	Professional and special services						
	Description		Actual				
	Current expenditure		2,136,947				
	Auditor's remuneration		7,782				
	Contractors		14,519				
	Consultants and advisory services		602				
	Commissions and committees		0				
	Other (includes unplanned maintenance)		2,114,043				
	Capital expenditure		954,219				
	Interstate Boundary Fences		4,334				
	Consultants and advisory services		172,021				
	Planned maintenance		207,029				
	Construct FMS Corrections		4,073				
	Construction / Erection		566,762				
	Total		3,091,166				
7	Transfer payments						
	Transfers	Purpose	Actual	Adjustment Estimate	Variance Under/over expenditure		
	Other transfers	Assistance to organisations for the preservation of national memorials: Commonwealth War Graves Commission and UN	6,457	6,800	343		
		Grants-in-Aid: Local Authorities		10,000	10,000		
		Leskop Settlement		1	1		
		Contribution: Sectorial Education & Training Authority		1,530	1,530		
		Grants-in-Aid: Parliamentary Villages Management Board	1,079	500	(579)		
	Total		7,536	18,831	11,295		

7.1 Report on written assurance obtained from entities regarding the implementation of effective, efficient and transparent financial management and internal control systems in terms of Section 38 (1) (j) of the Public Finance Management Act

Parliamentary Villages Management Board financial year is from July to June and their financial statements are still being audited by their Auditors. The previous financial year statements have been received.

Commonwealth War Graves Commission and UN

NATIONAL DEPARTMENT: PUBLIC WORKS

NOTES TO THE INCOME STATEMENT (continued)
for the year ended 31 MARCH 2001
 (all figures R 000)

8 Miscellaneous	Actual
Stabilisation fund	2,063
Cash Discount	(12)
Material losses through criminal conduct	475
Other material losses written off	3,377
Debts written off	1,820
Other (specify material amounts separately)	
Radio & TV Licenses	6
Drivers Licence/Tuition etc.	3
Claims against the State	55
Total	<u><u>7,777</u></u>
8.1 Material losses through criminal conduct	
Incident	Criminal proceedings/ disciplinary steps taken
	Amount
113 Cases of Criminal Acts or Omissions	Cases were opened <u>475</u>
Total	<u><u>475</u></u>
8.2 Other material losses written off	
Nature of loss	Cause of loss
	Amount
21 GG Vehicle accidents	Vehicle accidents 67
19 Government loans	Loss of tools 39
166 Vis Major	Natural cases 2,154
30 Penalty Payments	Late payments of fees 156
71 Cases of unavoidable damages	Damages 654
5 Cases of negligence	Documents not available 19
10 Cases of fruitless rent	Fruitless rent 88
Total	<u><u>3,377</u></u>
8.3 Debts written off	
Category of debt	Cause of loss
	Amount
104 Cases of Non fulfillment of obligation	Irrecoverable state guarantee 1,512
184 Cases of Irrecoverable debt, sal, mil etc.	Irrecoverable debt <u>308</u>
Total	<u><u>1,820</u></u>
8.4 Gifts, donations and sponsorships made in kind	
Made to	Purpose
	Amount
SAPS & Dept of Justice	Redundant Furniture 403
Joe Slovo Informal Settlement	Donation of redundant/ obsolete furniture/ building materials to residents of Joe Slovo Informal Settlement who lost all their property during the fire that destroyed the settlement. The area was declared a disaster area. 6
Thornhill Farms Communal Property Trust	Portion 8 of Farm Hopefield 105. Remainder of Farm Tiger Kip 320. Portion 1 of Farm Tiger Kip 320. Remainder of portion 1 of Farm Arendskrans 321. Portion 28 of Farm Stompstraatfontein 322. 514

NATIONAL DEPARTMENT: PUBLIC WORKS

NOTES TO THE INCOME STATEMENT (continued)
for the year ended 31 MARCH 2001
 (all figures R 000)

Gauteng Provincial Administration	7 Erven (No's 610 - 616) in Morningside Extension 40, District of Randburg.	1,190
Eastern Gauteng Services Council	Portions 63, 68 & 70 of Laeufontein 487 JR, District of Bronkhorstspruit	50
Louwsburg Transitional Local Council	17 Erven (No's 249-256, 559-561, 570, 572 & 573 and remainders of erven 326-328) District of Ngqoshe.	17
Doomkop Communal Property Association	Portion 12 of farm Doomkop 246 JS, district of Middleburg	515
Bakubung Communal Property	Portion 1 of farm Elandfontein 21 IQ, Portion 4 of farm Elandfontein 21 IQ, Portion 5 of farm Elandfontein 21 IQ, Portion 1 of farm Palmekul 25 IQ, Remainder of farm Palmekul 25 IQ	8,000
Municipal of Grabouw	Erf 4321, Grabouw, Portion 9 of farm Elgin Forest Reserve 295, Portion 9 of farm Ouda Brug 313, District of Caledon	720
Total		<u>11,415</u>

NATIONAL DEPARTMENT: DEPARTMENT OF PUBLIC WORKS

CASH FLOW STATEMENT: for the year ended 31 MARCH 2001 (all figures R 000)

	Note	Amount
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flow from operating activities excluding capital items	1	1 279 777
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Capital items		(974 462)
Proceeds from sale of plant and equipment		(983 362)
Proceeds from sale of land and buildings		23
Net cash flow from operating and investing activities		305 315
CASH FLOWS FROM INVESTING ACTIVITIES		
Movement on receivables, prepayments, advances, payables and provisions	2	(430 880)
Net increase/(decrease) in cash and cash equivalents	3	(125 565)
Cash and cash equivalents at beginning of period	4	165 612
Cash and cash equivalents at end of period		40 047

NATIONAL DEPARTMENT: DEPARTMENT OF PUBLIC WORKS

**NOTES TO THE CASH FLOW STATEMENT:
for the year ended 31 MARCH 2001**
(all figures R 000)

1	Net cash flow from operating activities excluding capital items	Amount
	Net surplus as per Income Statement	305 315
	Deduct from net surplus:	
	Proceeds from sale of plant and equipment	23
	Proceeds from sale of land and buildings	8 877
		<u>296 415</u>
	Add to net surplus:	
	Purchase of capital items	983 362
	Net cash flow from operating activities excluding capital items	<u>1 279 777</u>
2	Movements on receivables, prepayables, advances, payables and provisions	Amount
	Finance required to increase receivables	(23 156)
	Finance generated by increases receivables	(407 725)
	Net funds required to finance receivables	<u>(430 880)</u>
3	Cash and cash equivalents beginning of period	Amount
	Paymaster general account	165 557
	Petty Cash	55
	Total	<u>165 612</u>
4	Cash and cash equivalents end of period	Amount
	Paymaster general account	39 978
	Petty Cash	69
	Total	<u>40 047</u>

NATIONAL DEPARTMENT: PUBLIC WORKS
BALANCE SHEET (Statement of Financial Position)
AT 31 MARCH 2001
 (all figures R'000)

Previous year	Current year	Note
ASSETS		
Current assets		
216,135	125,472	
47,717	82,995	1
165,612	40,047	2
2,806	2,429	3
Non-current assets		
228,746	179,848	
227,234	178,029	4
1,512	1,819	5
444,881	305,320	
LIABILITIES		
Current liabilities		
424,493	268,163	
11,464	4,336	6
403,844	263,827	7
Non-current liabilities		
9,184	19,147	8
20,369	18,010	9
20,369	18,010	
444,881	305,320	

NATIONAL DEPARTMENT: PUBLIC WORKS

NOTES TO THE BALANCE SHEET
at 31 MARCH 2001
 (all figures R'000)

1 Unauthorised, irregular, and fruitless and wasteful expenditure

1.1 Unauthorised expenditure in respect of previous years not yet approved

Year	Incident	Criminal proceedings/ disciplinary steps taken	Amount
disallowed	Overspending of the main division: Programme 1: Administration Reported for the year 2000/01		5,444
Sub Total			5,444 C1

1.2 Fruitless and wasteful expenditure

Year	Incident	Criminal proceedings/ disciplinary steps taken	Amount
Susp: Fruitless rent: Buildings			23,780
Susp: Fruitless rent: Official Quarters			1,015
Susp: Fruitless expenditure: Other			787
Sub Total			25,582 C1

1.3 Unauthorised expenditure in respect of previous years not yet approved

Year	Incident	Criminal proceedings/ disciplinary steps taken	Amount
disallowed	Non-compliance with State Tender Board Regulations - Ex post facto approval not granted, Reported for the year 1997/98		11,244
	for the year 1998/99		5,028
	for the year 1999/00		30,573
Sub Total			46,845 C1

1.4 Irregular expenditure

Year	Incident	Criminal proceedings/ disciplinary steps taken	Amount
disallowed	Contract payments after contract expired		1,583
	Non compliance to State Tender Board Regulations		3,442
			5,125

Total all unauthorised, irregular, and fruitless and wasteful expenditure **52,995 C1**

2 Cash and cash equivalents

	Amount
Pay Master General Account	39,979
Petty Cash	68
Total	40,047 C2

2.1 Paymaster General Account

Balance as per National Accounting Office	261,436
Add: Outstanding deposits	(188)
Sub-total	261,250
Deduct:	(221,203)
PMG Trees Debits Sal/Dep	(201,043)
Orders payable	(20,611)
PMG adjustment account	382
Advance Petty Cash	68
ACB control account	
Balance above	40,047 C2

NATIONAL DEPARTMENT: PUBLIC WORKS

NOTES TO THE BALANCE SHEET
at 31 MARCH 2001
(all figures R'000)

3 Prepayment and advances

Nature of prepayments/advances

Advance: LTD	10
Advance: Gov Dept granted	1,154
Advance: Standing Subsid & Travel	6
Subsistence&Trans claims& Adv	275
Deposits to municipalities	558
Advance: Other inst granted	88
Suspense rec rent depositors	339
Total	2,429 C4

4 Receivable - non current

Description

Trade debtors	
Staff debts	637
Other loans and debts	177,302
Total	178,029 C3

5 Other financial assets

Nature of asset

Deposit at CPD	1,819
Total	1,819 C5

6 Revenue to be surrendered

Revenue received but not yet paid over to SARS by the end of March 2001

Amount	(4,336) C6
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7 Voted funds to be surrendered

Voted funds to be surrendered

Unauthorised expenditure incorrectly journalised for previous financial year

Unauthorised expenditure reported for current financial year

Irregular expenditure reported for current financial year

Irregular expenditure reported for current financial year

Fruitless expenditure: Buildings reported for current financial year

Total voted funds to be surrendered

Amount	(240,388)
	4,407
	(5,444)
	(1,683)
	(17,358)
	(3,442)
Total	(263,827) C7

8 Payables - current

Description

Susp WV Reissued	(10,000)
Recoverable Revenue (Debt Control Account)	(1,369)
Reversal control	(53)
Reversal regional serv acc	(1)
Penal Income Tax	(678)
Penal assurance def acc	(462)
Penal deductions Cat B	(69)
General Account of the post (Debtors System)	(6,436)
R/D Cheque Deb	(3)
Total	(19,147) C8

9 Payables - non current

Description

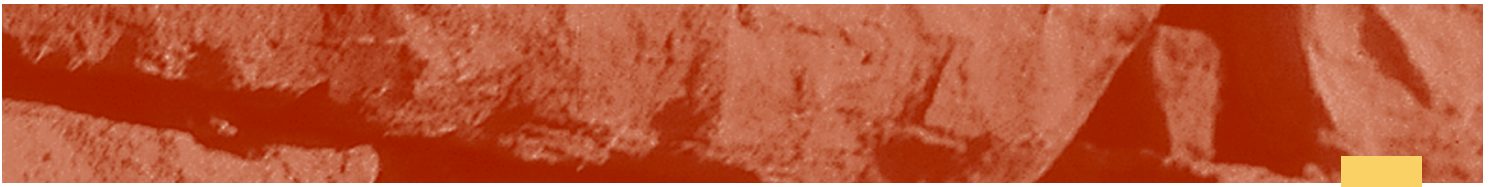
CDP Control account	(1,819)
Suspense: Security Deposits	(5,406)
Suspense: Akasia Park	(144)
Suspense: Recoverable rent dep	(339)
Advance: Other inst rec	(112)
Advance: Gov dept rec	(990)
Capital sale of land	(3,836)
Interest on sale of land	(791)
Debtor system (Unallocated rental debt)	(4,717)
Suspense: Domestic service claims	(44)
Suspense: 20% loan guarantees B Soc	(13)
Total	(18,810) C9

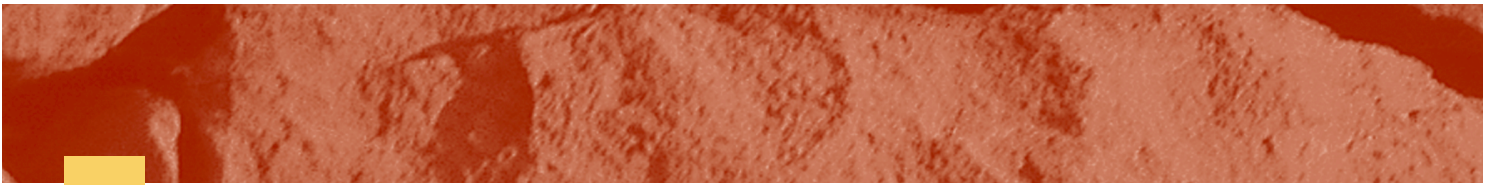
10 Contingent liabilities

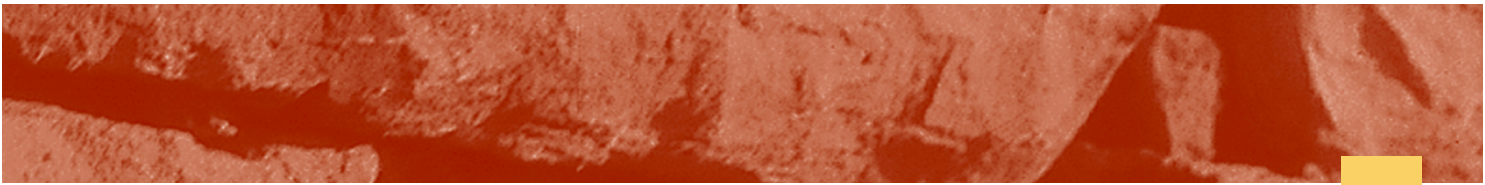
Liable to Nature of contingent liability

Housing Loans	5,252
Motor Finance: Senior Officials	2,348
Total	7,600



Included in contingent liabilities are actual liabilities previously treated as contingent but not yet settled.







REPORT OF THE AUDIT COMMITTEE OF THE NATIONAL
DEPARTMENT OF PUBLIC WORKS



As mandated, I hereby report on the Audit Committee function for the year ended 31 March 2001.

The structure of the Audit Committee (the Committee) is set out in the Committee Charter. The Audit Committee Charter provides clear terms of reference for the Committee and sets out specific responsibilities as delegated by Management (of the Department) to the Committee. Committee meetings are held four times a year, with further special meetings as necessary. Its function is primarily to assist Management in discharging its responsibilities relative to the Public Financial Management Act, 1999 as amended and the Treasury Regulations

The Committee also assists Management in regard to monitoring the management and assessment of financial risks, financial control, accounting and reporting. As part of its function, the Committee coordinates and monitors the activities of the Internal Audit Directorate. Through this, the Committee is able to report on the effectiveness of the internal control systems and to assess whether the Internal Audit function is fulfilling its role effectively and efficiently.

The Committee has noted with concern

- The inadequate interface between the department's financial system and its business systems as well as inherent limitations arising there from
- Lack of supporting documentation for significant amounts requested in the course of the audit.
- Inability on the part of the department to produce the set of Annual Financial Statements within the period stipulated in terms of PFMA as amended
- The undue delay in finalising the audit and publication of the Annual Report as required in terms of Sections 40, 55 and 65 of PFMA


In terms of section 3.1.10 of the Treasury Regulations (April 2001) the Committee should report on the following:

- a) Effectiveness of Internal Control
- b) Quality of management reports
- c) Evaluation of the Annual Financial Statements

■ Effectiveness of Internal Control

We have noted the areas of concern raised by the Auditor General; with specific reference to the IT control weaknesses as well as poor Documentation Control and the management responses thereto.

Against this background, the Committee is of the view that the qualifications of both the financial and compliance audits are based on substantive facts prevalent in the course of the audit.



- Quality of management reports

As the requirements for reporting on management reports only came into effect in April 2001, the Committee was not focused on these reports during the year under review. It is therefore not possible for the Committee to report on the quality of these reports.

- Evaluation of the Annual Financial Statements

In view of the Auditor General's disclaimer of opinion in the Department's Annual Financial Statements in the year under review the Committee does not express an opinion on these financial statements.



B Peterson
CHAIRMAN - AUDIT COMMITTEE
DATE: 24 APRIL 2002



Department of Public Works