

# **REPORT OF THE PORTFOLIO COMMITTEE ON PUBLIC WORKS, ROADS AND TRANSPORT AND COMMUNITY SAFETY, SECURITY AND LIAISON**

## **FIRST QUARTERLY PERFORMANCE REPORT FOR 2015/2016 FINANCIAL YEAR OF THE DEPARTMENT OF PUBLIC WORKS, ROADS AND TRANSPORT**

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### **1. INTRODUCTION**

The Portfolio Committee on Public Works, Roads and Transport; Community Safety, Security and Liaison (the Committee) has a Constitutional mandate, in terms of Section 114(2)(b) of the Constitution of the Republic of South Africa (Act 108 of 1996) read with Rule 131 of the Rules and Orders of the Mpumalanga Provincial Legislature (the Rules), to oversee the performance of the Department of Public Works, Roads and Transport (the department) and hold it accountable through various measures.

The consideration and scrutiny of the First Quarterly Performance Report for 2015/2016 of the department is the tool the Committee use to determine whether the department has proper plans and programmes to realise its strategic objectives and ultimately to deliver basic services to the citizens of Mpumalanga.

The Committee tables this report, in accordance with the provisions of the Rules and Orders of the Mpumalanga Provincial Legislature, as an account of its oversight work done for consideration and adoption in order to monitor the budget allocated to the department for the 2015/2016 financial year.

### **2. METHOD OF WORK**

The Honourable Speaker of the Legislature referred the 1<sup>st</sup> Quarterly Performance Report for 2015/2016 to the Committee for deliberations and report back to the House, in accordance with Rule 131 of the Rules and Orders of the Mpumalanga Provincial Legislature.

The Committee sort to determine whether the department executed its mandate in terms of the APP and if there was value for money. The Committee met with the department on 01 September 2015 to deliberate on the department's 1<sup>st</sup> Quarterly Performance Report for 2015/2016. The Committee considered the draft Committee Report on the 2015/2016 on 20 November 2015.

### **3. BRIEF OUTLINE ON STRATEGIC GOALS AND OBJECTIVES**

#### **3.1. Outcome Oriented Goals**

The department is directly linked to **Outcome 6** which states "an efficient, competitive and responsive economic infrastructure network". **Outcome 6** is linked to eight outputs, namely:

- Output 1      Improving competition and regulation
- Output 2      Ensure reliable generation, distribution and transmission of electricity
- Output 3      Ensure the maintenance and strategic expansion of our road and rail network and the operational efficiency, capacity and competitiveness of our sea ports
- Output 4      Maintenance and supply of availability of our bulk water infrastructure
- Output 5      Communication and information technology
- Output 6      Develop a set of operational indicators for each segment

#### **3.2. Millennium Development Goals (MDGs)**

The department has a responsibility towards the realising of the following goals:

- Goal 1      Eradication of extreme poverty and hunger
- Goal 2      Promotion of gender equality and women empowerment
- Goal 3      Combat HIV/Aids, malaria and other diseases
- Goal 4      Develop Global Partnership for development

#### **4. OVERVIEW BY THE MEC**

The MEC thanked the Committee for the opportunity to present an overview on the department's 1<sup>st</sup> quarterly performance report for the 2015/2016 financial year. She indicated the following matters that needed the attention of the Committee:

- The start to 2015/16 was tougher than previously due to increased budget shortfalls. These emanated mainly from the following:
  - The spill-over effect of the accruals which amounted to R233 000 000.00.
  - The 7% increment on Compensation of Employees which was more than the 5.5% budgeted as per the Treasury Guidelines.
  - Ripley effect of the over-commitments from 2013/14 financial year.
- Part of the budget allocation for the new financial year was used to off-set the accruals
- A number of cost curtailment measures have been introduced to ensure savings on non-essentials whilst the larger part of the budget is directed to service delivery.
- Infrastructure projects not completed on time
- Department developing local suppliers and supporting of emerging contractors.
- Expanded Public Works Programme targets the creation of six million work opportunities between April 2014 and March 2019.
- National Department of Public Works has introduced a new innovative reporting system in order to improve the overall management of job creation

#### **5. OBSERVATIONS AND COMMENTS**

The Head of Department (HOD) and his management team made a presentation to the Committee on the department's 1<sup>st</sup> Quarterly Performance Report for the 2015/2016 financial year.

#### **6. ANALYSIS OF THE FIRST QUARTERLY PERFORMANCE REPORT FOR 2015/2016**

##### **6.1. PROGRAMMES AND SUB-PROGRAMME PLANS**

### 6.1.1. BREAKDOWN OF PROGRAMME RECEIPTS AND PAYMENTS FOR THE FIRST QUARTER OF 2015/2016

The Department of Public Works, Roads and Transport has been appropriated a total of R4 358 045 000 for the 2015/16 financial year.

**Table 1** below is a summary of actual expenditure per programme and the total appropriation per programme as well as actual expenditure as a percentage of appropriation per programme. **Table 2** below is a summary of actual expenditures per economic classification for 1<sup>st</sup> quarter of the 2015/16 financial year versus the total appropriation for the same period, with actual expenditure as a percentage of total appropriation also included in the last column.

**Table 1: DPWRT 2015/16 Actual Expenditure v/s Main Appropriation**

Budget Allocation	Main Appropriation	Actual Expenditures	% Actual V/S Allocation
R'000	2015/16	2015/16	2015/16
Administration	235,636	56,979	24.2%
Public Works Infrastructure	710,200	145,162	20.4%
Transport Infrastructure	2,285,291	505,312	22.1%
Transport Operations	1,060,749	248,386	23.4%
Community Based Programme	66,169	16,804	25.4%
<b>Total</b>	<b>4,358,045</b>	<b>972,643</b>	<b>22.3%</b>

**Table 2: DPWRT Allocation v/s Expenditure per Economic Classifications**

Budget Allocation	Adjusted Appropriation	Actual Expenditures	% Actual V/S Allocation
R'000	2015/16	2015/16	2015/16
Compensation of Employees	855,181	211,789	24.8%
Goods and Services	1,388,903	310,159	22.3%
Transfers and Subsidies	661,562	117,817	17.8%
Payments for Capital Assets	1,452,399	332,878	22.9%
<b>Total</b>	<b>4,358,045</b>	<b>972,643</b>	<b>22.3%</b>

## **6.1.2. ANALYSIS PER PROGRAMME**

### **PROGRAMME 1: ADMINISTRATION**

#### **Programme purpose and budget allocation**

**The purpose of this programme is to provide the department with administrative, strategic, financial and corporate support services in order to ensure that it delivers on its mandate in an integrated, efficient and sustainable manner.**

**Programme 1 has achieved 20% or one (1) out of the five (5) planned targets in the 1<sup>st</sup> quarter of the 2015/16 financial year. Total appropriated budget for this programme for the 2015/16 financial amounts to R235 636 000 and as at the end of the 1<sup>st</sup> quarter of the 2015/16 financial year, actual expenditure amounted to R56 979 000 or 24.2%.**

The Committee noted with disappointment, that there are still officials within the department who did not sign their performance contract. According to the department, only five (5) of the 20 officials did not sign their performance agreement in the previous financial and that seven (7) of the non-complying officials received letters for defying the legislation. Eleven (11) cleaners from MEC's private residences signed their agreements after their reporting lines were cleared and two (2) officials submitted their agreements before warning letters were issued.

It was also observed that the report of the department indicated that 90% of invoices were paid caused by insufficient funding, hence accruals were not paid and funds were requested from Treasury. The departments were advised not to expect additional funding from Treasury; instead; were encouraged to prioritize within their allocated budget. Thus, the department has considered reviewing its cash flows in an effort to absorb the current financial pressures.

A further explanation was provided, indicating that the department could not determine the exact amount of accruals during the final planning phase as invoices were still forth coming. The final figure for accruals was still to be realized during the reporting period and only after the extent and impact of the accruals was determined, the department then revised its cash flow schedule, which has since been submitted to the Provincial Treasury. It was indicated that the following matters led to funding problems:

- The department had projected an over commitment of about **R 411 303 million** on the Transport Infrastructure programme during the 2014/15 financial year. The over

commitment was a result of capital infrastructure projects for upgrading of roads which are equitable share funded.

- The over commitment was reported to various oversight bodies, including the Budget and Financial Committee and Provincial Treasury.
- The over-commitment was later reduced as a result of various internal funding measures implemented and the final amount from 2014/15 financial year was **R233 088 million**.
- The department has managed to absorb R188 973 of the accruals within the 2015/16 budget without impacting on service delivery areas

### **6.1.3 PROGRAMME 2: PUBLIC WORKS INFRASTRUCTURE**

**This programme is responsible to provide a balanced and equitable provincial government building infrastructure by promoting accessibility that is sustainable, integrated and environmentally sensitive which supports economic development and social empowerment.**

**Programme 2** has achieved 18% or 2 out of 11 targets planned for the 1<sup>st</sup> quarter of the 2015/16 financial year. Out of the total main appropriation of R710 200 000 for the 2015/16 financial year, actual expenditure as at the end of the 1<sup>st</sup> quarter amounted to R145 162 000 which is 20.4% of the main appropriation.

**The Committee noted the following on Programme 2:**

Penalties were applied to poor performing contractors and extension of time was granted to some and furthermore, where applicable; some appointments were terminated.

The department has put in place the the following measures:

- Department of Education: Extension of time was granted for projects which were not completed during the 1<sup>st</sup> quarter. The remaining 12 projects are planned for completion within the 2<sup>nd</sup> quarter.
- Department of Health: Completion of work at Impungwe Hospital has been revised to 30 August 2015 whilst Ermelo Hospital (new stores) is planned for completion by 30 September 2015.

- Department of Social Development: Completion of works at Hendrina Branch Offices has been revised to 28 September 2015.
- Department Culture, Sport and Recreation: Completion of works at Emthonjeni Library has been revised to 30 September 2015.

According to the original project plan of the department, the projects are all behind schedule. However, provisions on the Joint Building Contract Committee (JBCC) allows for the revision of the project schedule based on justifiable reasons. The department is on par to achieve the revised completion dates and revised work schedules will be closely monitored. The Committee was however, not satisfied with the measures as the department has put in place as projects are not completed on time and there is also poor performance by contractors who do not stick to their specification.

#### **6.1.4 Programme 3: Transport Infrastructure**

**This programme is responsible for promoting accessibility and safe, affordable movement of people, good and services through the delivery and maintenance of transport infrastructure that is sustainable, integrated and environmentally sensitive and which supports and facilitates social empowerment and economic growth**

Programme 3 has achieved 75% or three (3) out of four (4) planned targets for the 1st quarter of the 2015/16 financial year. At the end of the 1st quarter of the 2015/16 financial year, actual expenditure for this programme amounted to R505 312 000 or 22.1% out of the total main appropriation of R2 285 291 000. Reasons for the delays in finalisation of these project lists, were issues of cooperation as well as municipalities not willing to comply. Generally, all municipalities have been cooperating, however, responsiveness differs depending on capacity and those with very limited capacity takes more time to respond. Furthermore, the delay arises out of the fact that the available budget has to be ascertained first, before consultations with municipalities can be carried out. The project lists that were initially submitted by municipalities far exceeded the available budget and therefore; had to be trimmed, which further delayed the implementation.

#### **6.1.5 Programme 4: Transport Operation**

**This purpose of this programme is to plan, regulate and facilitate the provision of integrated land transport services through co-ordination and cooperation with national planning authorities, CBO's, NGO's and the private sector in order to enhance the mobility of all communities particularly those currently without or with limited access.**

In terms of the Annual Performance Plan (APP), 6 500 bicycles were supposed to be procured, however; the target was not achieved due to delays in the finalisation of beneficiary list as a result of high demand. The procurement will be finalised in the 3<sup>rd</sup> quarter and donation will be done in the 4<sup>th</sup> quarter. With regard to the identification and quantification of beneficiaries; it was indicated that the Department of Education identifies beneficiaries and a list is created; from which qualifying beneficiaries are drawn in line with the set criteria. The two departments verify the beneficiaries from the list and come up with the final list/target. The targets are set on the basis of the verified figures of the previous financial year and the budget allocation for the year. Additional beneficiaries are covered by the donation from the National Department of Transport's Shova-Kalula programme.

#### **6.1.6 Programme 5: Community Based Programme**

**This purpose of this programme is to manage the implementation of programmes and strategies that lead to the development and empowerment of communities and contracts. This includes the provincial management and coordination of the Expanded Public Works Programme.**

**Programme 5**, due to the late validation of performance figures for this programme by the National Department of Public Works, it is not possible to accurately report performance. However, once the figures have been validated, a report will be compiled which will show the 1<sup>st</sup> quarter performance. Actual expenditure as at the end of 1<sup>st</sup> quarter of the 2015/16 financial year amounted to 25.4% or R16 804 000 out of the total main allocation of R66 169 000 for the 2015/16 financial year. The department indicated that it has faced challenges of validating figures for the 1<sup>st</sup> quarter has not yet been published by the National Department of Public Works. However, progress thereof will be reported once they are available from the National Department of Public Works



## **6. FINDINGS**

- 6.1 The department did not achieve some of its planned targets for the 1<sup>st</sup> quarter of the 2015/2016 financial year.
- 6.2 Contractors who do not comply with their contractual obligations.
- 6.3 Invoices were not paid within 30 days.
- 6.4 Accruals could not be determined in the first quarter because invoices were still forthcoming.
- 6.5 Infrastructural projects are not completed within the set and specified timeframe.
- 6.6 The department has failed to purchase 6 500 bicycles as planned in the APP during the first quarter.

## **7. RECOMMENDATIONS**

**The Committee made the following recommendations:**

- 7.1. The department must develop effective measures and systems that will ensure the improvement of its performance on the planned quarterly targets.
- 7.2. The department must ensure that penalties are applicable to non-complying contractors and furthermore ensure that the work done by contractors is monitored on monthly basis for quality purposes.
- 7.3. The department must ensure that invoices are paid timeously within 30 days as it is required by the PFMA.

- 7.4. The department must finalize the process of determining the exact amount of accruals for the quarter under review and ensure that funds are available to offset and pay for the accruals.
- 7.5. The department must ensure that infrastructure projects are completed on the specified timeframe and ensure that there are responsible officials attached to each project, to monitor the implementation of all planned project.
- 7.6. The department must ensure that the total of 6 500 bicycles that were planned are bought in the next quarter of the 2015/16 financial year in order to ensure that learners are able to attend school.

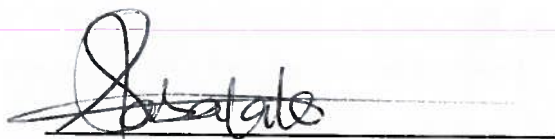
## 8. CONCLUSION

The Chairperson takes this opportunity to thank the Members of the Portfolio Committee for their active participation and constructive contributions during the deliberations on the Department of Public Works, Roads and Transport Quarterly Performance Report for the 2015/2016 financial year.

In addition, the Chairperson extends a word of thanks to the HOD and senior management officials for availing themselves to deliberate on matters pertaining to the department.

The Chairperson would also like to thank the support staff for contributing to the production of this report.

**Unless otherwise stated a report detailing progress in the implementation of all recommendations in this report should be forwarded to the Committee by 15 December 2015 and thereafter on a quarterly basis.**



HON GC SHABALALA

**CHAIRPERSON: PORTFOLIO COMMITTEE ON  
PUBLIC WORKS, ROADS AND TRANSPORT;  
COMMUNITY SAFETY, SECURITY AND LIAISON**

24/11/2015  
DATE