

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

**THIRD 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 Third 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 Speaker of the Legislature referred the Third 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 its Annual Performance Plan (APP) and if there was value for money. The Committee met with the department on 17 March 2016 to deliberate on the department's third Quarterly Performance Report for 2015/2016 financial year. The Committee considered the draft Committee Report on 20 April 2016.

### **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

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

The MEC appreciated the invitation by the Committee and that the department's appearance before the Committee fulfills their legislative reporting obligation. She also indicated that Committee meetings are important to the department to report their achievements and

challenges for the period under review. Amongst other things the MEC highlighted the following:

- The Department had **accruals totaling R233 000 000.00 from 2014/15** coming into the 2015/16 financial year. A total of **R158 000 000.00** was accommodated into this year's budget.
- **Cost curtailment measures** were introduced to ensure savings that will be used to offset the balance.
- The department also has a **responsibility of developing emerging contractors and the workmanship of some of these contractors compromises the quality on their projects.**

### **Municipal Support**

- The department has **R118 000 000.00 against a budget of R20 000 000.00** to assist Municipalities with their road network.

### **Financial Management**

- The departmental **spending** is monitored on a monthly basis. **In-Year-Monitoring (IYM)** reports are compiled to check their expenditure against the available budget.
- Several **projections are then made as per spending patterns.** These **projections are not cast in stone** but they are a mere indication what would happen if they continued to spend at a particular rate.

## **Extended Public Works Programme (EPWP)**

- The introduction of the **new reporting system** has brought in a lot of challenges due to the **strict reporting criteria**. The matter will be escalated to **MINMEC for further discussion**.

## **5. ANALYSIS OF THE THIRD QUARTERLY PERFORMANCE REPORT FOR 2015/2016**

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

During the second quarter of the 2015/16 financial year, the department only achieved 20 or 41% targets, out of 49 targets planned. Thus, 59% or 29 of the planned targets were not achieved. Under Programme 5: Expanded Public Works Programme, the department reported on only two (2) performance targets out of ten (10) planned targets. It was indicated that the remaining eight (8) planned performance targets were not reported due to the varying reporting time-gaps between the two departments.

### **5.2. OVERALL FINANCIAL PERFORMANCE OF THE THIRD QUARTER**

The Department of Public Works, Roads and Transport has a final adjusted budget amounting to **R 4 400 049 000.00** for the 2015/16 financial year. At the end of the third quarter of the 2015/16, the actual expenditure of the department amounted to **R 3 367 115 000.00** which translate to **76.1%**, slightly above the benchmark norm by **1.5%**.

The spending pattern per Programme indicates that Programme 5 is the highest in expenditure at **79.2%**, with all other Programmes spending slightly higher than the 75% Treasury benchmark norm but within the relevant range regarded as immaterial of **2%** over or under expenditure. In overall the department has slightly over-spent its budget in the third quarter by **1.5%** i.e. expenditure at **76.5%** which is regarded as immaterial.

**Table 1: DPWRT 2015/16 Actual Expenditure v/s Adjusted Budget**

Budget Allocation	Main Appropriation	Adjustments As per AEPRE	Final Budget	Actual Expenditures	% Actual V/S Allocation
R'000	2015/16	2015/16	2015/16	2015/16	2015/16
Administration	235,636	1362	236 998	178 003	75.1%
Public Works Infrastructure	710,200	1892	712 092	540 719	75.9%
Transport Infrastructure	2,285,291	33 334	2 318 625	1 779 016	76.7%
Transport Operations	1,060,749	5 416	1 066 165	816 961	76.6%
Community Based Programme	66,169	-	66 169	52 416	79.2%
<b>Total</b>	<b>4,358,045</b>	<b>42 004</b>	<b>4 400 049</b>	<b>3 367 115</b>	<b>76.5%</b>

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

Budget Allocation	Main Appropriation	Adjustment As per AEPRE	Final Budget	Actual Expenditures	% Actual V/S Allocation
R'000	2015/16	2015/16	2015/16	2015/16	2015/16
Compensation of Employees	855,181	24 004	879 185	665 949	74.6%
Goods and Services	1,388,903	111 371	1 500 274	1 150 217	76.7%
Transfers and Subsidies	661,562	-	661 562	514 155	77.7%
Payments for Capital Assets	1,452,399	(93 371)	1 359 028	1 046 794	77.0%
<b>Total</b>	<b>4,358,045</b>	<b>42 004</b>	<b>4 400 049</b>	<b>3 367 115</b>	<b>76.5%</b>

**Table 1** is a summary of actual expenditure per programme and the final adjusted budget per programme as well as actual expenditure as a percentage of the adjusted budget per programme, while **Table 2** is a summary of actual expenditures per Economic Classification for the Third Quarter of the 2015/16 financial year versus the final adjusted budget for the same period, with actual expenditure as a percentage of the final adjusted budget also included in the last column.

## **6. ANALYSIS PER PROGRAMME**

### **6.1 PROGRAMME 1: ADMINISTRATION**

**The purpose of Programme 1 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.**

Initially the department has been allocated a budget amounting to **R 235 636 000.00** for programme 1 which was revised by **R 1 362 000.00** then in total amounting to a final budget of **R 236 998 000.00** for the 2015/16 financial year. Out of the total final budget, the department has managed to utilise **R 178 003 000.00** which in overall translate to **75.1%**, however when zooming into the programme per sub-programme it was noted that the department slightly over-spent its budget by **1.4%** as it has spent at **76.4%**. The slight overspending is not material as its still within the allowable parameters per the Treasury benchmark norm of **75%**.

The Committee noted that there were no material issues relating to this programme and commended the department on its effort to achieve all its targets for the third quarter i.e. collection of targeted revenue and payments of invoices within 30 days, above all, ensuring that in overall the budget is not over-spent.

### **6.2 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.**

This programme has six (6) planned targets and the department has managed to achieve two (2) which translates to **33.3%** and failed to achieve four (4) planned targets for the third quarter. Initially, the department was allocated a budget of **R 710 200 000.00** for programme 2, which was revised by **R 1 892 000.00**, then amounting to a total final budget of **R 712 092 000.00** for the financial year 2015/16. Out of the total allocated budget the department has managed to utilise an amount of **R 540 719 000.00** which translate to **75.9%** for the third quarter for the 2015/16 financial year.

The Accounting Officer was required to share with the Committee on how and when do the department plan to complete the back-log of 75 previously unachieved planned targets in the fourth quarter without affecting the achievement of the 33 planned targets for the fourth quarter, to ensure that all 120 planned targets as per the APP are achieved by the end of the financial year 2015/16.

The department indicated that adjustments were carried out on a number of work schedules to accommodate the backlog or projects lagging behind. The department plans to complete at least 70 of the 120 planned projects before the end of the financial year. Other projects will be completed in the 2016/17 financial year due to various reasons i.e. termination of contractor appointments, late payments, **budget constraints** etc.

The Committee enquired on what led to the over expenditure of 66% i.e. **R 14 490 000.00**, whilst only seven (7) targets were achieved against 26 planned targets for the third quarter. The department indicated that over expenditure for this sub-programme relates to payment of consultants (PMU). However, the Department does not anticipate over expenditure for the Programme. The budget allocated for the sub-programme relates to operational costs and not project infrastructure costs.

The Committee enquired on how the department will manage to achieve its entire 100 planned target on assessment of the condition of state owned building by the end of the financial year 2015/16 to avoid back-log, since currently they are sitting with 50 unachieved planned targets. The department indicated that officials have commenced with the

assessment of buildings as part of their practical training. The target will be achieved before the end of the financial year as planned with assistance from CSIR.

#### 6.4 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 seven (7) planned targets and the department managed to achieve six (6) or **85.7%** planned targets as per APP for the quarter under review, although the third quarter report indicates in overall, five (5) targets were achieved; however, the department also indicated that they have achieved some targets in the prior quarters and this has been validated to be correct.

**Table 3: Summary of the financial performance: Programme 3**

<b>Economic Classification</b>	<b>Main Appropriation</b>	<b>Actual expenditure as at end September 2015</b>	<b>Over/(under)-spending %</b>
	<b>R'000</b>	<b>R'000</b>	
Compensation of Employees	R 344,353	R 186,300	54.1%
Goods and Services	R 559,919	R 233,763	41.7%
Transfers and Subsidies	R 9,590	R 5,888	61.4%
Payments for Capital Assets	R 1,371,429	R 672,686	49.1%
<b>Total</b>	<b>R2,285,291</b>	<b>R1,098,637</b>	<b>48.1%</b>



Initially the department has been allocated a budget of **R 2 285 291 000.00**, which was revised by **R 33 334 000.00** then amounting to a total final budget of **R 2 318 625 000.00** for the financial year 2015/16. Out of the total allocated budget the department has managed to utilise an amount of **R 1 779 016 000.00** which translate to **76.7%** for the third quarter for the 2015/16 financial year. The department has spent slightly above the treasury benchmark norm by 1.7%; therefore, there are no material findings

The Committee wanted to know what gave rise to the reprioritisation of funds to the Municipal Support programme. The department indicated that the municipal support programme assists local municipalities to deliver critical road infrastructure maintenance services to public amenities (cemeteries, schools, clinics etc.) to assist communities in carrying out their daily life activities unhindered. The Committee needed clarity on why the department is projecting an over-expenditure of **R 10 745 000.00**. The Committee was informed that the projections are inclusive of expenditure to clear accruals from 2014/15. The department has however taken steps to minimise accruals going forward.

#### **6.5 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.**

**Programme 4** has ten (10) planned targets and the department has managed to implement only three (3) or 30% of its planned targets as per APP. Initially, the department has been allocated a budget of **R 1 060 749 000.00**, which was revised by **R 5 416 000.00** then amounting to a total final budget of **R 1 066 165 000.00** for the financial year 2015/16.

Out of the total allocated budget the department has managed to utilise an amount of **R 816 961 000.00** which translate to **76.6%** for the third quarter for the 2015/16 financial year. The

department has spent slightly above the treasury benchmark norm by 1.6%. Being the second largest programme with regards to the total budget; it is of concern to note that the budget has being spent at 76.6% whilst targets remain unachieved for the entire 9 months i.e. backlog of **72.7%** planned targets

### **6.5.1 Infrastructure Operations**

The department was required to share with the Committee the issues surrounding the failure of the contractor to meet quality standards which led to extension of time granted and there were any penalties charged against the contractor.

The department indicated that the contractor had to re-appoint a supplier for ready-mix concrete since his previous supplier indicated that the travelling distance was too far. The new supplier could however not meet the required aggregate quality of the specified mix design. The contractor then sourced the concrete from Nelspruit which delayed the progress. The project then progressed to the rainy period which further delayed the progress.

Due to the above reasons, the extension of time was submitted and approved. The revised practical completion date of the project is 29 March 2016. Penalties will be applied should the contractor fail to adhere to this programme. The department was required to share with the Committee the issues surrounding the failure of the contractor to meet quality standards which led to extension of time granted. The contractor had to re-appoint a supplier for ready-mix concrete since his previous supplier indicated that the travelling distance was too far. The new supplier could however not meet the required aggregate quality of the specified mix design. The contractor then sourced the concrete from Nelspruit which delayed the progress. The project then progressed to the rainy period which further delayed the progress. The extension of time was submitted and approved and the revised practical completion date of the project is 29 March 2016. Penalties will be applied should the contractor fail to adhere to this programme.

## 6.5.2 Transport Safety and Compliance

With regard to the sub-programme, the Committee enquire about the material over-expenditure on the budget by 15% before the end of the quarter. The department indicated that the sub-programme over-spent because of the settlements on the negotiations for Medical Aids and Housing Allowance that was higher than the allocated budget. The Accounting Officer was required to share with the Committee on where the department will get funds to overspend its budget. It was indicated that there was prioritisation of savings from regulations and control sub-programme as well as transport system to cater for any possible over-expenditure. The department also introduced cost curtailment measures that were also implemented to realise savings should the sub-programme over-spend.

The Committee enquired on which sub-programme will be reprioritised to cover this projected over-spending and why was reprioritised whilst there was been prior planning. The department reported that the sub-programme is projected to over-spend by **R7 764 000.00** whereas the programme is projected to overspend by **R1 409 000.00**.

**Table 4: Summary of the financial performance: Programme 4**

Sub-programme		Planned	Achieved	Devlation	Spending Patten
Public Transport Services	No of kilometres subsidised	6 938 090	6 589 724	348 366	76.7%
	Kilometres operated per vehicle	12 024	11 421	603	
	Passengers per vehicle	27 535	21 992	6 146	
	No of subsidised passengers	14 113 698	12 689 580	1 424 118	
	No of unsubsidised passengers	1 774 015	1 419 419	354 596	
	No of trips subsidised	213 466	207 727	5 739	
	Number of PRE hearing conducted	12	17	-5	
	No of scholar transport routes monitored	341	341	0	

Transport Safety and Compliance	No of roadblocks conducted	650	789	139	90.0%
					56.8%
Transport System Infrastructure Operations	No of projects completed	1	0	0	69.1%

### 6.6 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 had ten (10) planned targets and the department had achieved only two (2) of its planned targets as per APP. Initially, the department was allocated a budget of R 66 169 000.00, which was not revised for the financial year 2015/16. Out of the total allocated budget, the department managed to utilise an amount of R 52 416 000.00, which translate to 79.2% for the third quarter for the 2015/16 financial year. The department has materially over-spent above treasury benchmark norm by 4.2%.

The Committee wanted to know of any corrective measures in place to ensure that all targets planned for this sub-programme are achieved by year end without over-spending the budget. The department indicated that the National Department of Public Works (NDPW) set targets for Provinces to achieve and new reporting system was introduced in the 2015/16 financial year with strict validation criteria which has led to a lower number of jobs being reported. The Programme is responsible for coordination of EPWP and the expenditure is for related operational costs only. The budget was further used to supplement the grant for NYS which was insufficient since the baseline was taken to MRTT.

The Committee also enquired as to why the department projected to materially over-spend its budget by 10.4%, and what motivated the over-spending. The department indicated that the projected over-spending was due to the budget short-fall on Sakh'abakhi and NYS. The Committee further enquired whether the over-expenditure was not resulting from poor planning by the department and was informed that there are possible savings on Compensation of Employees and Payments for Capital Assets that will be used to defray the projected over-spending.

**Table 5: Planned and achieved targets vs spending**

Sub-programme		Planned	Achieved	Deviation	Spending Patten
Community Development	No of EPWP opportunities created by the provincial DPWRT	13 320	3 539	9 781	80.3%
	No of full time equivalents (FTEs) created by the DPWRT	4 346	731	3 615	
Innovation and Empowerment	No of Beneficiary empowered interventions	650	789	139	92.5%
	No of public bodies reporting on EPWP targets within the province	31	26	5	
	No of interventions implemented to support public in the creation of targeted number of work opportunities in the province	3	3	-	
EPWP Co-ordination & monitoring	No of jobs created	44 883	9 219	35 664	66.9%
	No of full time equivalents ( FTEs)	18 757	2 670	16 087	
	No of youths employed (	25 335	4 855	20 480	

	18-35)			
No of women employed	25 335	6 198	19 137	
No of people with disabilities	937	171	766	

## 7. FINDINGS

### The Committee made the following findings:

- 7.1. The department did not achieve some of its planned targets for the third quarter of the 2015/2016 financial year.
- 7.2. The department plans to complete the back-log of 75 previously unachieved planned targets relating to Public Works Infrastructure in the fourth quarter.
- 7.3. The department will manage to achieve its entire planned target on assessment of the condition of state owned buildings by the end of the financial year 2015/16 to avoid back-log, since currently they are sitting with 50 unachieved planned targets.

## 8. RECOMMENDATIONS

### The Committee made the following recommendations:

- 8.1. The department must develop effective measures and systems that will ensure the improvement of its performance on the planned quarterly targets.
- 8.2. The department must ensure that infrastructure projects planned for the financial year are completed before the end of the financial year without compromising the quality of work.
- 8.3. Assessment of the condition of state owned buildings should be conducted and completed as planned. The department must by all means ensure that they do not enter the new financial year with a backlog as this may have a negative impact on new projects.

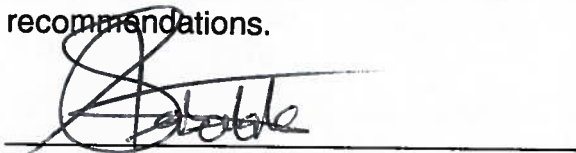
The department should provide the Committee with a progress report on the implementation of House Resolutions not later than the 20 June 2016.

## 9. 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 Second 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. The Portfolio Committee tables this report to the House for adoption with its recommendations.



**HON GC SHABALALA**

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

21/04/16

**DATE**