



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

### **SECOND 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 Second 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 Second 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 03 December 2015 to deliberate on the department's Second Quarterly Performance Report for 2015/2016 financial year. The Committee considered the draft Committee Report on the 2015/2016 on 17 February 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 Committee did not deliberate on the political overview as the MEC tendered an apology.

### **5. ANALYSIS OF THE SECOND 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 2ND QUARTER**

The Department of Public Works, Roads and Transport has been appropriated a total budget of **R4 358 045 000.00** for the 2015/16 financial year. At the end of the second quarter of 2015/16, the actual expenditure of the department amounted to **R2 184 418 000.00** which translates to 50.1%, which is slightly below the National Treasury benchmark norm of 2%.

**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	120,584	51.2%
Public Works Infrastructure	710,200	387,421	54.6%
Transport Infrastructure	2,285,291	1,098,637	48.1%
Transport Operations	1,060,749	543,433	51.2%
Community Based Programme	66,169	34,343	51.9%
<b>Total</b>	<b>4,358,045</b>	<b>2,184,418</b>	<b>50.1%</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	444,105	51.9%
Goods and Services	1,388,903	655,552	47.2%
Transfers and Subsidies	661,562	361,095	54.6%
Payments for Capital Assets	1,452,399	723,666	49.8%
<b>Total</b>	<b>4,358,045</b>	<b>2,184,418</b>	<b>50.1%</b>

The spending pattern per programme indicates some fluctuations; with Programme 2: Public Works Infrastructure being the highest with expenditure at 54.6% and Programme 3: Transport Infrastructure indicating an under-expenditure of 48.1%. It is noted that that Programme 3 underspent its allocated budget during the first quarter as well. The rest of the programmes spent around 50%, which is within the National Treasury benchmark norm of 2% (as stipulated in the two (2) tables above).

The department is allocated grants which have been spent as indicated in the table below.

**Table 3: Expenditure on Grant Allocations**

<b>Name Of Grant</b>	<b>Annual Budget R'000</b>	<b>Actual Expenditure<sup>nd</sup> 2 Quarter R'000</b>	<b>% Spent</b>
Provincial Road Maintenance Infrastructure Grant	1 719 418	760 791	44%
Public Transport Operations Grant	502 272	212 701	42%
Extended Public Works Incentive Grant	16 038	6 468	40%
<b>TOTAL</b>	<b>2 237 728</b>	<b>403 221</b>	<b>44%</b>

### **5.3. ANALYSIS PER PROGRAMME**

#### **5.3.1. 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.

Programme 1 has managed to achieve a total of three (3) planned targets or 75% out of four (4) planned targets in the second quarter of the 2015/16 financial year.

The department could not conduct the Evaluation Study as planned due to a challenge in soliciting beneficiary information from the National Department of Public Works (NDPW) on the EPWP database from 2009-2014; the department has been engaged to assist with beneficiary information. The provincial department of Public Works Roads and Transport is responsible for the overall coordination of EPWP in the Province. However, the implementation of EPWP projects and the validation of figures on work opportunities reported are the sole responsibility of various public bodies and the National Department of Public Works which administered the Integrated Reporting System (IRS). It was reported that the evaluation study is in progress and that the

National Department of Public Works did provide the service provider with the necessary information to complete the study. It was a typing error to report that the study would be completed in February 2015 instead of 2016, therefore the completion date of the study has been revised to February 2016.

The Committee noted that the department has over-spent its budget by 6.6% under Goods and Services due to a once- off payment for audit fees amounting to **R 8 400 000.00** as well as other contractual obligations emanating from the previous year which includes fleet services and operating leases.

The Committee enquired on how much was budgeted for audit fees for the 2015/16 financial year and reasons why the payment was done as a once- off payment instead of basing it on received invoices. The department indicated that an amount of **R 9 200 000.00** was budgeted and that there was an under-expenditure of 0.6% on Goods and Services (according to the In-Year-Monitoring (IYM) report). The Invoices were paid as and when received from the Auditor-General over that period, in compliance with section 38 of the PFMA. Furthermore, the high spending for the programme was for the period ending 30 September 2015 (as at the end of second quarter). The once- off payment was referring to periodical payments covering the audit period.

With regard to the contractual obligations for operating leases in the 2015/16 financial year, the department indicated that they are ongoing contractual obligations and not a new activity for the department. The provision was made in the 2014/15 financial year and throughout the Medium Term Expenditure Framework. It was reported that in some instances, the invoices of the current month are paid in the subsequent month due to the submission of invoices on the last day of the month or first week of the subsequent month. The department had to adjust its APP for 2015/16 financial year to accommodate the prior year expenditure.

**Table 4: Summary of the financial performance: Programme 1**

<b>Economic Classification</b>	<b>Main</b>	<b>Actual expenditure as</b>	<b>Over/(under)-</b>
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	Appropriation	at end September 2015	spending %
	R'000	R'000	
Compensation of Employees	R159,621	R 78,319	49.1%
Goods and Services	R 71,627	R 40, 524	56.6%
Transfers and Subsidies	R 1, 922	R 502	26.1%
Payments for Capital Assets	R 2,466	R 1,239	50.2%
<b>Total</b>	<b>R235,636</b>	<b>R120,584</b>	<b>51.2%</b>

The department have been appropriated a total budget of **R235 636 000.00** for this programme for the 2015/16 financial year and it has managed to utilize an amount totaling to **R120 584 000.00** which translates to 51.1% as at the end of the second quarter of the 2015/16 financial year.

### **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 a total of 16 planned targets and it has achieved five (5) or 31.2% of its planned targets for the second quarter of the 2015/16 financial year. The Committee enquired on why the department failed to achieve 16 of its planned targets as articulated in their APP. The department indicated that the main reason for planned targets not being achieved was the fact that most project dates were revised; late completion of projects as well as poor contractor performance. The department indicated that there has been an on-going engagement with the consultants and client departments through the consultation Performance Review meetings and POMM to communicate and manage the above challenges. The department will ensure that there is adherence to the Infrastructure Delivery Management System (IDMS) where a project

takes two years for planning, design and procurement which will afford the department adequate time to appoint contractors.

**Table 4: Summary of the financial performance: Programme 2**

<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 267,535	R 134,529	50.3%
Goods and Services	R 316,477	R 120,387	38.0%
Transfers and Subsidies	R 124,452	R 131,561	105.7%
Payments for Capital Assets	R 1,736	R 944	54.4%
<b>Total</b>	<b>R 710,200</b>	<b>R 387,421</b>	<b>54.6%</b>

The department received a total appropriation amount of **R710 200 000.00** for the 2015/16 financial year for this programme. Actual expenditure as at the end of the second quarter amounted to **R387 421 000.00** which translates to 54.5% of the main appropriation. The department has materially over-spent its allocated budget for the economic classification on Transfers and Subsidies by 105.7% which is 55.7% more than the National Treasury benchmark of 50%. The department indicated that this was due to once-off payments for rates and taxes for municipalities. The department is still awaiting invoices from four (4) local municipalities i.e. Bushbuckridge, Dr JS Moroka, Emakhazeni and Thembisile Hani. Furthermore, it was indicated that the department does not pay according to the National Treasury benchmark on this particular item (Transfers and Subsidies). Some of the other factors that have contributed to over-spending on the budget include new additional immovable assets, appreciation of the value of buildings and increase in rates and taxes by various municipalities.

#### **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 44% or four (4) out of nine (9) planned targets for the second quarter of the 2015/16 financial year.

Targets which were not achieved under this programme relates to the number of kilometers of gravel roads visually assessed as per the applicable TMH manual, number of kilometers of gravel roads upgraded to surfaced roads, number of square meters of surfaced roads resealed, number of square meters of blacktop patching as well as number of kilometers of gravel roads bladed.

The department indicated that in the first quarter, the 3km of road were upgraded from gravel to surfaced road. The project was planned to be completed at end of the 2014/15 financial year but was delayed due to budgetary constraints. The Committee enquired on what was the budget allocated for this performance indicator for this quarter utilized for, as well as the previous quarter of the 2015/16 financial year. The department indicated that the budget that was allocated for the planned project i.e. Rural Access Road D2909 between D2908 Junction (Morwe) and Paved End (near Dikwale) and for other projects that are in progress.

**Table 6: Summary of the financial performance: Programme 3**

Economic Classification	Main Appropriation	Actual expenditure as at end September 2015	Over/(under)-spending %
	R'000	R'000	
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%
Total	R2,285,291	R1,098,637	48.1%

At the end of the second quarter of the 2015/16 financial year, the actual expenditure for this programme amounted to R1 098 637 000.00 or 48% out of the total main appropriation of R2 285 291 000.00.

#### 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.

Programme 4 has achieved 5 or 50% out of 10 planned targets for the second quarter of the 2015/16 financial year. Targets in which the department failed to achieve relates to the following:

- Number of unsubsidized passengers.
- Passengers per vehicle.
- Number of trips subsidized.
- Number of Pre-hearings.
- Number of projects completed.

The department reported that the number of unsubsidised passengers has decreased due to reduction of employment in certain areas; resulting in a reduction in the number of passengers per vehicle and number of trips required. The department did however achieve 99.3% of the target for trips subsidised.

On the projects completed, it was reported that projects was initially advertised in the CIDB website, however; they were re-advertised in the Provincial Bulletin following a concern of the 2014/15 audit outcome. Thus, the project completion date had to be revised from the second to the fourth quarter.

**Table 7: Summary of the financial performance: Programme 4**

Economic Classification	Main Appropriation	Actual expenditure as at end September 2015	Over/(under)- spending %
	R'000	R'000	
Compensation of Employees	R 53,717	R 30,551	56.9%
Goods and Subsidies	R 406,199	R 241,171	59.4%
Transfers and Subsidies	R 525,598	R 223,108	42.4%
Payments for Capital Assets	R 75,235	R 48,603	64.6%
<b>Total</b>	<b>R1,060,749</b>	<b>R543,433</b>	<b>51.2%</b>

Actual expenditure as at the end of the second quarter for this programme amounted to **R543 433 000.00** or 51% out of **R1 060 749 000.00** main allocation for this programme in the 2015/16 financial year.

#### **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.**

The Committee noted that, due to the late validation of performance figures for this programme by the National Department of Public Works, it is not possible for the

department to accurately report performance. However, once the figures have been validated, a report will be compiled, which will show the first quarter performance as well as the second quarter performance.

The department was requested to share with the Committee the status on the publication of validated figures for the first and second quarter from the National Department of Public Works. It was indicated that the National Department of Public Works (NDPW) has not yet published the validated figures for the first and second quarters. The Committee also enquired on the period it takes for the National Department of Public Works to publish validated figures. It was responded that it takes an average of three (3) months to validate and publish figures. The Committee was further informed that the National Department of Public Works introduced a new EPWP reporting system with effect from 1 June 2015/16 financial year which is aimed at improving the validation turnaround time.

**Table 4: Summary of the financial performance: Programme 5**

Economic Classification	Main Appropriation	Actual expenditure as at end September 2015	Over/(under)- spending %
	R'000	R'000	
Compensation of Employees	R 29,955	R 114,406	48.1%
Goods and Subsidies	R 34,681	R 19,707	56.8%
Transfers and Subsidies	R 0	R 36	-
Payments for Capital Assets	R 1,533	R 194	12.7%
<b>Total</b>	<b>R66,169</b>	<b>R 34,343</b>	<b>51.9%</b>

Actual expenditure as at the end of the second quarter of the 2015/16 financial year amounted to **R2 184 418 000.00** which translates to 52% out of the total main allocation of **R66 169 000.00** for the 2015/16 financial year.

## **6. FINDINGS**

- 6.1. The department did not achieve all of its planned targets for the second quarter of the 2015/2016 financial year.
- 6.2. There are contractors who do not comply with their contractual obligations.
- 6.3. Invoices were not paid within 30 days of receipt.
- 6.4. The department did not report on the existing accruals in the first quarter since invoices were still forth coming.
- 6.5. Infrastructural projects are not completed within the set and specified timeframe.

## **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 determine and report to the Committee on how much accruals it has as well as how it envisage to address the matter, this should be in line with the Cabinet Resolution on how to deal with accruals.

- 7.5. The department must ensure that infrastructure projects are completed in the specified timeframe; and ensure that there are responsible officials attached to each project in order to monitor the implementation of all planned projects.

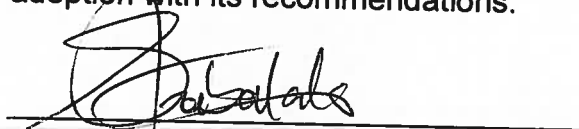
**The department should provide the Committee with a progress report on the implementation of House Resolutions not later than the 31 March 2016**

## **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 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**

08/03/2016  
**DATE**