

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

## 3<sup>rd</sup> QUARTERLY PERFORMANCE REPORT FOR 2017/2018 FINANCIAL YEAR OF THE DEPARTMENT OF PUBLIC WORKS, ROADS AND TRANSPORT (DPWRT)

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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 3<sup>rd</sup> Quarterly Performance Report for 2017/2018 of the department is the tool the Committee used to determine whether the department had 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 by the house as part of monitoring the budget allocated to the department for the 2017/2018 financial year.

### 2. METHOD OF WORK

The Speaker of the Legislature referred the 3<sup>rd</sup> Quarterly Performance Report for 2017/2018 to the Committee for consideration, deliberations and report back to the

- The Committee noted that the departmental spending is was high for the quarter under review; however; the actual targets were low and not corresponding to the spending pattern. In response to non-correspondence to the spending pattern, the department stated that it endeavors to achieve all targets as planned and to spend **100%** of the allocated budget and -indicated that the department's APP (Annual Performance Plan) contains some targets that are dependent on client departments, other spheres of government as well as other external factors i.e. creation of EPWP work opportunities, building infrastructure, contractor performance, etc.
- The department'al budget refers to other operational activities which are not linked to specific targets in the APP e.g. VIP accommodation, telecommunication, municipal services, payment of rates and taxes, payment for professional services for coal haulage, the Road Asset Management System (RAMS) and Maintenance Management System (MMS), training of operators, escalation in bus subsidies allocated in terms of DORA, purchasing of law enforcement vehicles, uniform, firearms and equipment, construction of a pounding yard etc.
- Furthermore, the department indicated that it strives to improve on its target setting during the strategic planning sessions with programmes before finalization of the Annual Performance Plan.
- The department was requested to provide reasons for the poor conditions of immovable assets, such as Pietkoornhof building, residential houses in Volksrust and other buildings that are owned by the department. The Committee further enquired on the departmental plans to turn the situation around.
- The department indicated that the process of disposing immovable assets due to insufficient maintenance budget has already been initiated. Progress will be reported at the end of the 4<sup>th</sup> quarter. It was further indicate that Pietkoornhof building is currently being refurbished with an

from the department Annual Performance Plan. The MEC indicated that this occasion allows the department to account and reflect on its achievements, identify and acknowledge its shortcomings, and to put in place measures to address the shortcomings.

The MEC stated that the 3<sup>rd</sup> quarter allows the department to account and reflect on its achievement and to put in place measures to address shortcomings. Furthermore, the department forge ahead with three (3) projects, which are Thembisile Hani, Siyabuswa and Botleng public libraries, will expected to commence later due to delay in budget confirmation .However the contractors has been urged to accelerate and fast track the projects for completion in time. Regard to maintenance for KwaMhlanga gate project, the MEC indicated that it was delayed by poor performance of the contractor.

Concerning Roads and Transport Infrastructure the design for road D2930 Acornhoek to Hluvukani was completed ahead of schedule. The MEC stated that there was over achievement recorded for two projects that is Merry Pebbles Road and Road D4382 Justicia to Lillydale, due to high demand and implementation of municipal support programme.

With regard to Transport Services, the MEC indicated that number of kilometres of gravel roads were upgraded to surface roads. Furthermore the issue of Community Development, number of EPWP work opportunities created by the Provincial Department of public works and the number of full time equivalents created by the Provincial Department of public works, Youth, women and people with disabilities were beneficiaries in the EPWP projects.

## 5.1. Programme 1: Administration

**Table 1: Planned targets & achieved targets vs spending**

Sub-programme	Performance Indicator	Planned	Achieved	Deviation	Spending Patten
<b>Corporate support: improve overall</b>	% of Invoice received & paid within 30 days	100%	100%	None	
	Total amount of revenue collected	R5.9million	R 5.9 million	R1.5 Million	

According to table 1.1 above on -Economic Classification the low spending contributor was on transfers and subsidies at **63.9%** i.e. **11.1%** below the periodic benchmark of **75%**. The department indicated that the under spending on transfers and subsidies was due to the fact that it caters for leave gratuity and injury on duty which are unforeseen and only paid as and when they arise. The high spending contributor is on payment of Capital Assets at a spending of **R 1 389 000.00** i.e. **30.4%** above the periodic benchmark of **75%**. The department has overspent the budget for this classification by **5.4%** i.e. **105.4%** and indicated that this is due to a once off payment of motor vehicles. This means for the remaining quarter, the department does not have budget available, hence there is a projection to overspent by **R 145 000.00** i.e. **11%**. On table 1.1, there is an indication that sub- programme: office of the MEC and Management of the department materially underspend its budget at **58.1%** and **65%** i.e. **16.9%** and **10%** respectively, as compared to the periodic benchmark of **75%** in the 3<sup>rd</sup> quarter.

The Committee enquired on how the projected overspending amount of **R 145 000.00** be funded. The department indicated that the **R145 000.00** projected over expenditure relates to payment of Capital Asset. The Committee further asked the department whether or not the expenditure will constitute accruals for the department. The department indicated that the amounts will not necessary cause accruals since the department will be able to absorb the anticipated over-expenditure and implement virement at the end of the financial year.

The Committee requested the department to provide the Committee with a detailed report on the spending of the budget allocated for Capital Assets classification. The Committee requested the department to indicate what was planned per APP and the actual performance per budget spent. It was reported that planning and procurement of movable Capital Assets are non-APP targets but rather at operational plan level. The plan and expenditure reports were attached as Annexure A.

## **5.2 Programme 2: Public Works Infrastructure**

			2017	2017	
<b>Sub-Programme</b>			<b>R'000</b>		
Programme Support	4 396	-	4 396	3 319	75.5%
Design Public Works	59 900	-	59 900	33 421	55.8%
Construction Public Works	46 607	-	46 607	17 321	37.2%
Maintenance Public Works	23 851	-	23 851	16 214	68.0%
Property Management	664 674	11 388	676 062	533 852	79.0%
<b>TOTAL</b>	<b>799 428</b>	<b>11 388</b>	<b>810 816</b>	<b>604 127</b>	<b>74.5%</b>
<b>Economic Classification:</b>					
Compensation of Employees	300 909	-	300 909	219 436	72.9%
Goods and Services	302 144	(4 164)	297 980	207 494	69.6%
Total Transfers and Subsidies	173 000	56	173 056	172 532	99.7%
Payments for Capital Assets	23 375	15 496	38 871	4 665	12.0%
<b>Total</b>	<b>799 428</b>	<b>11 388</b>	<b>810 816</b>	<b>604 127</b>	<b>74.5%</b>

**Table 2** above seeks to illustrate the planned and achieved targets against the spending of the department, whereby the programme had eight (**8**) performance indicators and the department managed to achieve two (**2**) which translates to **25%** and failed to achieve six (**6**) performance indicators for the 3<sup>rd</sup> quarter. The department was allocated a budget of **R 799 428 000.00** for programme 2 in 2017/18 financial year, which was adjusted to a final budget amounting to **R 810 816 000.00**. Out of the total final allocated budget, the department utilised an amount of **R 604 127 000.00** which translate to **74.5%** for the 3<sup>rd</sup> quarter for the 2017/18 financial year.

The adjustment was an additional allocation to sub-programme: Property management by an amount of **R 11 388 000.00**, which moved from **R 664 674 000.00** to **R 676 062 000.00**.-On the programme 2: Table 2.1 there is an indication of a low spending on Goods and Services and Payment of Capital Assets at **69.6%** and **12%** respectively. This low spending was in terms of the periodic benchmark of **75%** for the 3<sup>rd</sup> quarter. Under payment of Capital Assets, the department sited the capital property works for Parliamentary Village in the Economic Classification was due to under planning and design and spending will commence towards end of the 3<sup>rd</sup> quarter, however in the 2<sup>nd</sup> quarter the department indicated that spending will commence in the 2<sup>nd</sup> quarter. This is a serious concern on whether there is progress at the Parliamentary Village when spending of budgets is always deferred. Again on

late commencement of projects against plan and inclement weather. The department indicated that the outstanding projects are planned for completion in the 4<sup>th</sup> quarter

- **Ten (10) Storm damaged projects** are behind schedule. The planned completion of the outstanding projects is said to be in the 4<sup>th</sup> quarter
- **Eleven (11) Basic Services and sanitation projects** were cancelled/ withdrawn as the schools were found to have adequate sanitation facilities. The department indicated that the budget of the cancelled/ withdrawn projects was redirected to the client department.

#### **DOH (planned seven (7) and achieved five (5))**

- ***The department indicated that the two (2) projects could not be achieved due to the following reasons:***
  - *Khumbula Clinic and Shongwe Hospital General Maintenance – is behind schedule due to slow progress of works/ poor-performance by the contractor. The department indicated that the projects were closely monitored and that the planned completion is in January 2018.*

The Committee enquired on how the following projects which were not completed in the 3<sup>rd</sup> quarter be completed as at 31<sup>st</sup> January 2018 as planned by the department.

#### **A) Khumbula Clinic**

The department indicated that the project is currently **85%** complete. Progress were delayed by community strike. Practical completion was scheduled for the 5<sup>th</sup> of February 2018 which was not achieved. The department also stated that the contract has been placed on penalties.

#### **B) Shongwe Hospital**

The department indicated that works were completed on the 5<sup>th</sup> of January 2018. The project profile is attached as Annexure B

#### **DSD (planned three (3) and achieved zero (0))**

councillor(s) and municipal representative to the site handover meeting. The municipality, who works with a project social facilitator and ward councillor, then identifies Project Steering Committee members who are representatives of the recognised community structures. The project team interacts with the community through the PSC in all matters.

The department was requested to explain whether the Swartfontein Treatment Centre (Phase 2) project will be completed by the 5<sup>th</sup> February 2018 as planned. The department responded that site inspection was conducted on the 5<sup>th</sup> of February but practical completion could not be approved due to snag list. The project is **98%** complete and the final site inspection has been rescheduled for the 2<sup>nd</sup> of March 2018.

The department was requested to provide the status quo with regard to the Standerton ECD. It was reported that a contractor (i.e. Somthwalo Construction) was appointed in June 2016, however, the appointment was terminated as the contractor failed to proceed diligently with the works. A replacement contractor (i.e. Kgalemo Construction), was appointed in October 2016 and still failed to proceed with the works diligently as stipulated in the contract. The Termination Clause of the contract was invoked and quotations have been sourced and the process will be expedited in order to appoint a new contractor.

**DCSR (planned seven (7) and achieved four (4)).**

- ***The department indicated that three (3) projects could not be achieved due to the following reasons:***

The department indicated that the three (3) projects commenced later than it has planned due to delays in the confirmation of budget. **The projects have revised completion dates as follows:**

- Thembisile Hani Library is planned for completion on 28 January 2018.
- Siyabuswa Library is planned for completion on 13 February 2018.
- Botleng Library is planned for completion on 31 January 218.

The department was requested to explain whether the following projects be completed 5 February 2018 as planned. **a) Thembisile Hani Library**

have **5 346** properties in the Immovable Asset Register as per the Custodian Asset Management Plan (CAMP: 2018/19) and 1 552 assets were assessed. Assets are categorised into five (5) condition ratings as follows:

- **1%** (12) Assets are on rating C1, meaning that the assets have failed and are not operational or fit for occupancy i.e. Residential houses, offices for DHS in Elukwatini, two **(2)** offices for DSD in Moloto and Kwamhlanga, two **(2)** buildings in Prilgrims Rest and the Piet Koorenhof building in Nkangala.
- **28%** (435) Assets are on rating C2, stating that the assets have deteriorated badly with some structural defects. These assets have a high risk index with high cost implications.
- **65%** (1008) Assets are on rating C3, meaning that the assets are in average condition and requires attention with medium cost implications.
- **5%** (80) Assets are on rating C4, meaning that the assets have no apparent defects.
- **1%** (18) Assets are on rating C5, meaning that the assets have no apparent defects.
- The estimate budget required to maintain the provincial buildings amounts to **R 800 000 000.00** per year. Currently, maintenance budgets are allocated to the respective departments.
- The Committee raised a serious concern that **(99%)** of Immovable Assets are below C5. The department acknowledged the concern raised, and reported that Category C1 and C2 **(29%)** needed immediate attention and should be budgeted for. However, C3, C4 and C5 **(71%)** are moderate, safe and conducive for a work environment.

### 5.3 Programme 3: Transport Infrastructure

**Table 3: Planned and achieved targets vs spending**

Sub-programme	Performance Indicator	Planned	Achieved	Deviation	Spending Patten
<b>Design Roads</b>	No of infrastructure designs completed	4	5	1	<b>82.3%</b>
<b>Construction Roads</b>	No of kilometres of gravel roads upgraded to surfaced roads	4	1	-3	<b>77.0%</b>



for the third quarter. Table 3.1 indicates that the department materially overspent its budget on Economic Classification: Transfers and Subsidies by **92.1%** i.e. **17.1%** above the periodic benchmark of **75%**. The department further indicated that this Economic Classification caters for claims against the state, especially on potholes and it's only paid as and when incidences arise and concluded.

The Committee requested the department to provide a detailed report on all claims made against the state on potholes for the financial year 2017/18. The department attached the report on pothole claims.

- **Construction**

The Committee noted that the department had planned to upgrade **4km** of gravel roads to surface roads and only achieved **1km** for the quarter at a budget spending of **77.0%**. It should also be noted that Road Merry Pebbles remain unachieved as at end of the 3<sup>rd</sup> quarter but its budget keep moving.

The department was requested to explain as to when exactly will the construction of the Merry Pebble road be completed. The department indicated that **91%** complete and is anticipated for completion in April 2018. The major remaining work is surfacing of the last **3km**, paving of about **800m**, road signs and road markings.

- **Maintenance Roads**

The Committee noted that the department had five (**5**) planned performance indicators for this sub-programme and managed to achieve only two (**2**). The department spent its budget at **75.2%** which is in line with the periodic benchmark; however great concerns remain on the fact that three (**3**) or **60%** of the targets are unachieved for quarter. ***Through scrutiny of the departments performance over this sub-programme for the past nine (9) months or three (3) quarters of 2017/18, its noted that an overall 60% of targets remain unachieved yet budget spending moved to 75.1%.***

#### 5.4 Programme 4: Transport Operations

**Table 4: Planned and achieved targets vs spending**

Sub-programme	Transport Infrastructure	Planned	Achieved	Deviation	Spending Patten

**Table 4.1** indicates an under spending on Economic Classification: Transfers and Subsidies by **7.2%**. According to the department the low spending was due to bus payments which are paid in the sub-sequent month as instructed by the National Treasury cash flow schedule for Transfers and Subsidies. Table 4.1 also indicates a high spending on the Economic Classification: Payment of Capital Assets by **6.3%** for the quarter.

❖ **Sub-Programme: Public Transport Services**

The Committee noted that department planned to achieve **100%** of its three (**3**) planned performance indicators under this sub-programme for the 3<sup>rd</sup> quarter of 2017/18 financial year and could only achieve one (**1**) of the set target. The department reported that the figures reported on are preliminary and that actual final figures will be reported on the sub-sequent month being the 25<sup>th</sup> January 2018 as per PTOG requirement. The department spent at **69.2%** on this sub-programme. The sub-programme underspent its budget by **5.8%** when compared to periodic benchmark of **75%** in the 3<sup>rd</sup> quarter. The department was requested to provide an updated report on the actual output as at 25<sup>th</sup> January 2018 for this sub-programme. It was indicated that the subsidised **20 573 791 (99%)** of the targeted **20 773 008** kilometers and further subsidised **625 716 (98%)** of the targeted **638 212** trips under the Public Transport Services, for a period from April to December 2017. The underperformance was due to the industrial action strike that occurred in the 1<sup>st</sup> quarter of the financial year.

❖ **Transport Safety and Compliance**

The department planned to achieve **100%** of its one (**1**) planned performance indicator under this sub-programme for the 3<sup>rd</sup> quarter of 2017/18 financial year and managed to achieve **100%** of the set target. The department spending is at **72.2%** on this sub-programme which is low when compared to the **75%** break-even margin by **2.8%**.

❖ **Transport System**

The department planned to achieve **100%** of its one (**1**) planned performance indicator under this sub-programme for the 3<sup>rd</sup> quarter of 2017/18 financial year and did not manage to achieve **100%** of the set target. The department spending is at **78.4%** on this sub-programme which is materially high by **3.4%** when compared to the **75%** break-even margin.

EPWP: Co-ordination and Monitoring	15 414	(2 000)	13 414	9 234	68.8%
<b>TOTAL</b>	<b>69 976</b>	<b>2 000</b>	<b>71 976</b>	<b>53 451</b>	<b>74.3%</b>
<b>Economic Classification:</b>					
Compensation of Employees	35 844	2 000	37 844	33 625	88.9%
Goods and Services	33 598	297	33 895	19 805	58.4%
Total Transfers and Subsidies	0	3	3	6	200%
Payments for Capital Assets	534	(300)	234	15	6.4%
<b>Total</b>	<b>69 976</b>	<b>2 000</b>	<b>71 976</b>	<b>53 451</b>	<b>74.3%</b>

**Table 5** above seeks to illustrate the planned and achieved targets against the spending of the department, whereby the programme had ten (10) planned performance indicators for the 3<sup>rd</sup> quarter of the 2017/18 financial year. According to table 5 above, the department did not manage to achieve its set target as only two (2) performance indicators were achieved out of the ten (10). However, the department indicated that they only reported on preliminary figures since the EPWP system only closed on 15 January 2018 for reporting and that an updated report will be submitted once the validated figures are released by the National Department of Public Works for the 2<sup>nd</sup> quarter.

The department was allocated a budget of **R 69 976 000.00**, which was adjusted by an amount of **R 2 000 000.00** to a total budget of **R 71 976 000.00** for the programme. Out of the final allocated budget the department utilised an amount of **R 53 451 000.00**, which translate to **74.3%** for the 3<sup>rd</sup> quarter of the financial year.

**Table 5.1** on Economic Classification the department indicates that there is a material underspending on Payment of Capital Assets and Goods and Services of **68.6%** and **11.6%** respectively. This is an under spending when compared to the break-even **75%** margin, which contribute to the **100%** spending pattern per annum. The department indicated that the procurement in the Economic Classification payment of Capital Assets was at the final stage while payments for Goods and Services were at the advanced stage and will be finalised at the beginning of the 4<sup>th</sup> quarter.

## 6. FINDINGS

deliberations on the Department of Public Works, Roads and Transport 3<sup>rd</sup> Quarterly Performance Report for the 2017/2018 financial year.

In addition, the Chairperson extends a word of gratitude to the MEC, HOD, senior management officials and Councillors for availing themselves to deliberate on matters pertaining to the departments.

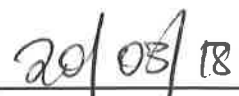
The Chairperson would also like to thank the support staff for contributing to the production of this report.

**The department should provide the Committee with a progress report on the implementation of House Resolutions not later than the 06 April 2018, and thereafter on a quarterly basis.**



**HON GC SHABALALA**

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



**DATE**