



6

**EVATON  
RENEWAL PROJECT**

## 6.1 Project scope

The Evaton renewal project (ERP) was meant to improve the quality of life, upgrade infrastructure, support existing small businesses, develop new entrepreneurs and create employment for the community of Evaton. The ERP's activities were divided according to precincts in the business plan, as detailed below. During the audit we assessed the housing upgrade, community hall, water and sewage and roads and storm-water projects.

| Eastern precinct                        | Western precinct                           | Heritage precinct               | Government & sports precinct     | Overarching precinct                    |
|---|--|---------------------------------|----------------------------------|---|
| Constructing bus and taxi rank          | Medical rooms                              | Chapel                          | Reconstructing municipal offices | Small farms intervention zone           |
| Shopping centre                         | Community hall                             | Ablution facilities             | Welfare centre                   | Flood line                              |
| High-density mixed housing developments | Information hub and library                | Landscaping around the cemetery | New police station               | Environmental cleaning and greening     |
| Community facilities                    | Informal trading (formalised structure)    | Limit vehicle movement          | Multipurpose indoor sport        | Roads and storm-water                   |
| Medical consulting rooms                | Neighbourhood shopping centre              | Heritage square                 | Netball field                    | Bulk sewage and water                   |
| Town square and roads                   | Entertainment                              | Cultural village                | Soccer field and athletic track  | Street lighting and street furniture    |
| Greenfield housing development          | Taxi rank and ablution facilities          | Heritage route                  | Art school                       | Densification and upgrading of houses   |
|   | Filling station                            | Chapel                          | Picnic and braai                 | Water, sewer and electricity for houses |
|   | Bus rank                                   |                                 | Parking area                     |   |
|   | Town square, roads, parking, paving, kerbs |                                 |                                  |   |
|   | Greenfield housing development             |                                 |                                  |   |

## 6.2 Findings

### 6.2.1 Project planning

Poor planning by the department contributed to delays in implementing activities and the associated escalation in costs. The ERP's three-year business plan indicated a need to rehabilitate 1 000 units in different phases. However, the first year's budget was only R10 million, which would deliver 180 houses and six show houses. Delivering houses at that rate and with a similar annual budget over three years would not have yielded 1 000 units. This meant that, when planning activities, the budget was not aligned to the needs and the department could not complete the project within the stipulated three years.

### 6.2.2 Project management

#### a) Document management

A number of essential project documents such as payment certificates, supporting documents for variation orders, contract information and designs were unavailable for audit. This was attributed to improper document management and lack of an effective internal process to track and monitor the various project activities implemented.

As a result, some activities could not be audited. Work done on activities with a total contract value of R40 million could not be physically verified because information on the extent of the work was not available. Furthermore, the completion dates for these activities could not be determined due to a lack of information. The department said the documents had been misplaced when they relocated to their current premises.

## **b) Time management**

The department did not manage the schedules of the activities undertaken, which often led to uneconomical delays in activities by an average of 11 months, with one activity still not completed since the scheduled completion date of February 2013. The main causes of these delays were:

- delays in finalising contracts and approving the way-leaves that grant right of way to land, as well as drawings and designs, variation orders or extensions. At the time of the audit an activity to the value of R10 million had been suspended for more than two years, while approximately 80% thereof had been completed and R9,8 million had been spent. The activity could not be resumed due to delays in finalising the contract addendum.
- non-payment by the department. A contractor recorded the reason for the delay as financial constraints due to non-payment by the client, which severely affected the contractor's cash flow and resulted in the contractor being unable to operate at full capacity.
- the department being unable to impose the penalties for late delivery provided for in the contract as the delays were due to budgetary constraints; instead, time extensions were granted or the contracts of non-performing contractors were terminated. In one case, an activity was only completed nine months after the approved extension expired.
- incomplete and insufficient information being provided about the existing infrastructure.
- incidents of community protests, theft, labour unrest and non-performance of local subcontractors.

The community affected by the project implementation did not always receive consistent communication from the project manager, which led to communities not being aware of progress or the reasons for activities. The deputy director responsible for communicating with the Evaton community vacated the post, which was not refilled. This resulted in the community receiving scant information on the project's progress.

The delays resulted in overexpenditure on claims for standing time awarded to contractors during the suspension of work and on variation orders, time extensions, increases in scope, as well as failure to deliver. This expenditure was uneconomical and could have been avoided had the necessary funding been made available and activities been planned properly and completed on time.

## **c) Cost management**

Cost management includes planning and budgeting for activities. The cost of an activity increased by 97%, which the department indicated was due to an increase in scope and material prices. Had the department planned correctly, such increases would have been avoided.

In some instances, activities were changed while they were ongoing. For example, the initial scope of work of an activity included the construction of two server rooms, which were later excluded from the deliverables and replaced with painting. In this case, the reduction in scope did not reflect in the total contract price. As the price of constructing two server rooms cannot be equated to the price of painting, the department overspent on the contract.

In other instances, cost escalations were due to the suspension of activities as a result of non-payment. Standing claims, rising costs of materials and extra labour all contributed to the department not receiving value for the money spent. These excessive costs could have been avoided if the department had budgeted correctly and paid contractors on time. Such expenditure was also fruitless and wasteful as defined in section 38(1)(a) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA).

#### **d) Supply chain management**

The SCM guide for accounting officers provides for an extension of bid validity, if justified in exceptional circumstances and if agreed to by all bidders in response to a written request before the expiration date. However, we found that some contracts were finalised months after the 90-day bid validity expired, without the bids having been extended.

The department also approved variation orders in contravention of regulations:

- Treasury regulation 16A3.2(a) requires an SCM system to be fair, equitable, transparent, competitive and cost-effective. A variation order increased the cost of a contract to R989 822, which was 97% more than the initial contract price of R502 041. The variation was approved on the basis that the contractor did not provide sufficient costing on the tender pricing schedule. However, this led to the other qualifying bidders being treated unfairly because their pricing schedules were inclusive, and therefore clearly higher. The variation order should not have been approved pending an investigation into its inconsistencies.

- Practice note 8 of 2007-08, paragraph 3.4.1 stipulates that accounting officers/authorities should invite competitive bids for all procurement above R500 000 (Vat included). A variation order, estimated at R13 million, was awarded without considering proposals from other possible service providers. The decision therefore constituted preferential treatment.

Contractors that did not have the appropriate minimum grading assigned by the Construction Industry Development Board (CIDB) were not disqualified from the bidding process and, in some cases, were awarded contracts. The following are examples:

- A contractor with a grade level of 1GB was awarded a contract where the tender documents specified a level 3GB requirement. The bid should never have been considered.
- A contract to the value of R12 million required the contractor to be registered with the CIDB and have at least a level 6CE grading. The appointed contractor was not registered with the CIDB, and therefore should not have been considered for this bid.
- A contract worth R10 million was awarded to a contractor that was not registered with the CIDB at the time of their appointment. In addition, this contractor was appointed via a deviation from normal tender processes in contravention of Treasury practice note 6 of 2007-08, as the contractor was not a sole provider.

Paragraph 2.5 of the circular issued by the National Treasury in 2006 on the code of conduct for bid adjudication committees, provides for the following:

The bid adjudication committee must ensure that:

- all necessary bid documents have been submitted
- disqualifications are justified and that valid and accountable reasons / motivations were furnished for passing over bids
- scoring has been fair, consistent and correctly calculated and applied
- cognisance has been taken of bidders' declarations of interest.

Based on the findings raised in relation to these bids, the bid adjudication committees did not comply with their code of conduct. Had they done so, cost increases in contract values could have been avoided and unqualified contractors would not have been awarded contracts.

#### e) Quality management

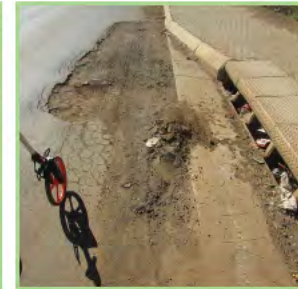
Inadequate drainage systems and poor road construction led to visible signs of distress along the road surfaces and water entering the structural layers (pictures 20, 21 and 22).

Structural distress included the following:

- Blocked and inadequate kerb inlets. These were caused by kerbs being inconsistent in size and unevenly spaced, which led to flooding. Bollards at the raised sidewalks, which were part of the scope of work, were also incomplete (picture 23).



Picture 20: Sign of distress



Picture 21: Severe structural damage



Picture 22: Visible structural failure



Picture 23: Blocked kerb inlet



Picture 24: Closed kerb inlet



Picture 25: Surface breakdown



Picture 26: Ponding water

- Certain kerb inlets were abandoned and closed off. This was due to erroneous information from the municipality regarding the existing storm-water systems, which were found to be incomplete. The closed kerb inlets resulted in surface run-off ponding along the road (picture 24).
- Degradation of the existing road. This was noted particularly at the intersections with existing roads, which were not upgraded as they were assumed to be in good condition because they were newly built. The inclusion of the intersections in the scope of the activity would have ensured the integrity of the new road (pictures 25 and 26).
- Speed humps had started to erode as a result of poor construction, which led to structural damage to the road (picture 27).
- Deformation of the paving and vegetation growth was due to the soil not being properly compacted and treated before laying the paving. The paving therefore began to loosen, posing a tripping hazard and exposing the paving stones to theft. This could result in the total loss of the infrastructure (pictures 28 and 29).



**Picture 27: Poorly constructed speed hump**



**Picture 28: Deformation of paving**



**Picture 29: Vegetation growth on sidewalk**

## f) Environmental impact

Some activities presented a health and safety risk to the community. These included the following:

- A fatal incident where a child fell into an uncovered trench and drowned. Although the site had been barricaded to alert the community to the potential danger, this was not effective in preventing the death of the child.
- Open manholes that had become solid waste dumping sites for the community. This posed a threat of pollution and an invasion of rodents and other vermin into the area.
- Pools of standing water due to an inadequate drainage system provided a breeding ground for many diseases and insects.



**Picture 30: Solid waste thrown into open manholes**



**Picture 31: Exposed excavation**



**Picture 32: Raw sewage flowing from the existing sewer line**

The incomplete storm-water systems and poor grading of a gravel road resulted in water ponding on the road surfaces. This posed a safety hazard as drivers could lose control of their vehicles, particularly when braking in an emergency, or swerve and cause an accident. In addition, residents could not access their homes due to the standing water. Construction rubble was left on site after the road was completed. The surrounding area was left in an unsightly state and the debris posed a threat of injury to both drivers and pedestrians.



Picture 33: Ponding water on gravel road



Picture 34: Poor construction of surface joint



Picture 35: Poor grading and finishing

### 6.2.3 Departmental support

While the ERP received a budget allocation from the department, it formed part of the budget allocated to the Sedibeng region for all its operations. The region then allocated a portion of this budget to the ERP together with other projects.

The budget received has often been insufficient to implement projects within the planned time frames. According to the business plan, R3,6 billion should have been made available from 2004-05 to 2014-15, but only R708 million was made available. There had also been a lack of monetary assistance and other participation from other departments. Table 4 sets out the budget that had been allocated to the ERP since its inception in 2004.

Table 4: Funding for ERP

| Financial year | Total Budget        |
|----------------|---------------------|
| 2004 - 05      | R40 000 000         |
| 2005 - 06      | R49 009 000         |
| 2006 - 07      | R50 000 000         |
| 2007 - 08      | R80 000 000         |
| 2008 - 09      | R60 000 000         |
| 2009 - 10      | R50 000 000         |
| 2010 - 11      | R75 000 000         |
| 2011 - 12      | R75 000 000         |
| 2012 - 13      | R83 345 928         |
| 2013 - 14      | R106 120 038        |
| 2014 - 15      | R40 000 000         |
| <b>Total</b>   | <b>R708 474 966</b> |

### 6.2.4 Departmental cooperation

Although waste management is a municipal function, the ERP should have coordinated with the municipality to ensure that sites were not used for illegal dumping and that waste was removed. A lack of waste management led to illegal dumping in the public space. Such waste included liquids and solid waste from households, and constituted a health hazard that may lead to infectious diseases spread by flies and rats attracted to the unattended waste. Wet waste also decomposes and releases a bad odour, which could also lead to unhygienic conditions and a resulting rise in health problems.



Picture 36: Illegal dumping

## 6.3 Recommendations

We recommend that the department undertake the following corrective action to address our findings:

### Project planning

- Pre-design studies such as geotechnical studies, technical feasibility studies and existing infrastructure risk assessments to avoid unnecessary expenditure and project delays.

### Project management

- Establish a proper documentation and filing system to track information and monitor projects
- Enter into contracts only after funding has been made available to avoid delays
- Monitor the time and cost of projects
- Adhere to the SCM regulations and guidelines to ensure that procurement is fair, competitive, economical, efficient and effective
- Re-grade and maintain gravel roads
- Hold contractors accountable to remedy and rebuild where there is clear distress in construction, and attend to the items outlined for their attention
- Ensure the safety of the community by adequately barricading hazardous sites and removing rubble after construction.

### Departmental support

- Enter into projects only after funding has been allocated to avoid instances of non-payment to contractors
- Align funding allocations to budgets to ensure that funding is available for projects.

### Departmental cooperation

- Coordinate with the municipality to ensure that sites are not used for illegal dumping and that waste is removed.

## 6.4 Conclusion

The overall progress of the project has not been substantial, which was confirmed in the 2008-11 business plan. The project had only been able to accomplish small and less impactful projects. Another challenge was that the ERP received funding that was not linked to the planned annual deliverables, which made it difficult to prioritise projects effectively. This resulted in projects being deferred, therefore not commencing as planned, and being completed later than anticipated. This affected the eventual cost of project implementation and, in turn, the total project budget.





7

**WINTERVELDT  
RENEWAL PROJECT**

## 7.1 Project scope

The project was divided into five extensions consisting of eight phases. Table 5 indicates the planned upgrade of Winterveldt from 2010-11 to 2015-16. The Winterveldt renewal project (WRP) aimed to create the infrastructure for 34 307 serviced stands, and to construct 32 107 subsidised housing units and 2 200 finance-linked housing units. The project also planned to implement:

- social and health infrastructure
- an upgrade of existing school facilities
- economic development, specifically agriculture and rural developments.

**Table 5: Winterveldt renewal project housing plan**

|                    | Phase         | Land area                   | Financial year         |
|--------------------|---------------|-----------------------------|------------------------|
| <b>Extension 3</b> | Phase 1 and 2 | 6 944 erven (plots of land) | 2010 - 11              |
| <b>Extension 4</b> | Phase 3 and 4 | 5 112 erven                 | 2011 - 12              |
| <b>Extension 5</b> | Phase 5 and 6 | 7 251 erven                 | 2012 - 13 to 2013 - 14 |
| <b>Extension 6</b> | Phase 7       | 6 000 erven                 | 2013 - 14 to 2014 - 15 |
| <b>Extension 7</b> | Phase 8       | 9 000 erven                 | 2014 - 15 to 2015 - 16 |

We assessed the housing projects that were implemented by the WRP in Winterveldt.

## 7.2 Findings

### 7.2.1 Project management

The department was unable to provide vital project information necessary for the audit. We were unable to audit procurement, water and sanitation, and roads and storm-water activities.

### 7.2.2 Departmental support

Table 6 reflects the annual budget required and the actual funding provided to the activities stipulated in the business plan. The WRP received funding of only R278 million of the required R4,3 billion (6,5%) for the 2011-12 to 2015-16 financial years from the department.

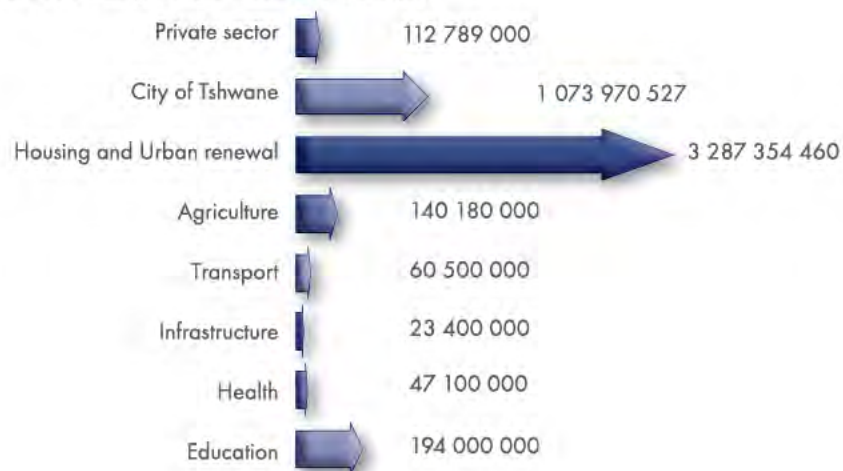
**Table 6: Budget required vs funding allocated**

| Financial year              | Annual budget amount  | Annual funding allocated |
|-----------------------------|-----------------------|--------------------------|
| 2010 - 11                   | R644 569 057          | Outstanding              |
| 2011 - 12                   | R962 019 889          | R27 869 535              |
| 2012 - 13                   | R1 048 063 623        | R94 530 450              |
| 2013 - 14                   | R889 090 989          | R132 816 976             |
| 2014 - 15                   | R865 950 548          | R20 000 000              |
| 2015 - 16                   | R529 599 871          | R3 000 000               |
| <b>Total for the period</b> | <b>R4 939 293 977</b> | <b>R278 216 961</b>      |

### 7.2.3 Departmental cooperation

The department envisaged that funding for the WRP would also be sourced from other relevant government departments. Figure 3 depicts the envisaged integrated funding.

Figure 3: Funding as per business plan (R)



However, when the project commenced, the identified stakeholders did not provide funding. This resulted in only one of the five extensions in Winterveldt being developed since the launch of the WRP in 2010.

### 7.3 Recommendations

We recommend that the department undertake the following corrective action to address our findings:

#### Project management

- Establish a proper documentation and filing system to track information and monitor projects.

#### Departmental support

- Ensure that sufficient funding is available for the implementation of projects.

#### Departmental cooperation

- Ensure that written commitments that are enforceable are obtained for funding from the relevant stakeholders.

### 7.4 Conclusion

Insufficient funding contributed to the objectives of the project not being achieved. Although co-funding discussions were held with various stakeholders, ultimately only the City of Tshwane and the department committed financial and human resources to the project. This meant that the WRP could only implement housing and basic services projects.





8

**HOUSING & BUILDINGS**

## 8.1 Findings

The assessment of the URP included the evaluation of construction on houses and other buildings such as clinics and community centres. The objective of the assessment was to evaluate how the department delivered houses, housing opportunities and community facilities to the identified communities. The projects assessed were as follows:

| Alexandra  | Bekkersdal   | Evaton   | Winterveldt   |
|--|--|--|---|
| <ul style="list-style-type: none"> <li>• 1 400 low-cost houses in Alexandra</li> <li>• Marlboro RDP flats</li> <li>• Botlhabela residential apartments phase 2</li> <li>• Edenvale hospital and clinic</li> <li>• Alexandra emergency disaster centre</li> <li>• Far east bank extension 10</li> </ul> | <ul style="list-style-type: none"> <li>• East Clinic</li> <li>• West Clinic</li> <li>• Bekkersdal police station</li> <li>• Mohlakeng extension</li> </ul> | <ul style="list-style-type: none"> <li>• Evaton housing upgrade</li> <li>• Tshepo Themba hall</li> </ul> | <ul style="list-style-type: none"> <li>• Slovoville, extension 3, phase 1</li> <li>• Winterveldt, extension 3, phase 2</li> </ul> |

### a) Document management

Not all project-related information was provided by the department to enable us to conduct the audit successfully. Examples of information that was requested but not available in the project files included:

- as-built drawings (with design specifications)
- programme of works
- some variation orders
- close-out report (which should contain all documents listed above)
- some payment certificates.

This made it difficult for the audit team to effectively and efficiently evaluate the work and determine whether it was effectively managed. We also identified contract delays and challenges that could be associated with inefficiencies in contract management.

The unavailability of information also made it difficult to assess the costs of projects. The missing information included, but was not limited to, the following:

- The bill of quantities documents. The related costs also had not been documented, which made it difficult to monitor the monthly payment certificates, changes in costs and the final costs of items. Without the bill of quantities documentation, we could not determine whether the prices were reasonable and fair.
- Submission of variation orders, motivations and approvals. The variance in the original costs and final costs was not documented and the final cost of the project was not properly accounted for.
- Payment certificates were not properly filed. The monthly valuations were not included in the files and proper monthly evaluations were not performed to justify the payments made to the contractor.
- Cost reports – it was impossible to determine the variance in the budget and items on which there had been increased expenditure or savings.
- Professional fee claims and fee claim payment information.

## b) Quality management

During the site visits, we noted quality issues. However, we were unable to determine whether this resulted from poor workmanship and failure to adhere to specifications, or from a lack of maintenance after the buildings were handed over to the municipality and beneficiaries.

## c) Number of houses and housing opportunities provided

### Bekkersdal renewal project

The BRP has not built any houses since the inception of the project. This means that the grievances of the community of Bekkersdal with regard to the slow delivery of housing were valid.

### Winterveldt renewal project

Of the 34 307 houses, which included 32 107 subsidised and 2 200 finance-linked housing units planned for construction over six years, only 4 608 reconstruction and development programme (RDP) houses were constructed in different extensions of Winterveldt, as shown in table 7.

**Table 7: Houses constructed for WRP**

| Institution     | Location                        | Number of houses completed |
|-----------------|---------------------------------|----------------------------|
| City of Tshwane | Winterveldt extension 3 phase 1 | 2 060                      |
| Department      | Winterveldt extension 3 phase 1 | 679                        |
| Department      | Winterveldt extension 3 phase 2 | 1 739                      |
| Department      | Slovoville                      | 130                        |
| <b>Total</b>    |                                 | <b>4 608</b>               |

## Evaton renewal project

In Evaton, housing projects were meant to provide the following:

- Mixed housing: Construction of approximately 1 300 low-cost, mixed housing units
- Rental housing: Approximately 612 units to be constructed
- Housing upgrade: 150 houses identified as part of phase 2 of the project
- Land release: Approximately 206 houses to be constructed.

The projects included building new houses and renovating existing ones. Renovations were planned for 1 000 houses in 2007, 2008 and 2009 respectively. Since the inception of the project, only 31 new RDP houses had been built and 12 existing houses renovated.

## 8.2 Recommendations

We recommend that the department undertake the following corrective action to address our findings:

- Establish a proper documentation and filing system to track information and monitor projects
- Establish an effective system that monitors adherence to construction standards and design specifications to avoid issues of poor workmanship
- Take the necessary action against the project management team for their role in the project delays.







9

**PERFORMANCE AUDITING**

## 9.1 Auditing concepts and approach

### 9.1.1 Background

The auditing of government institutions is based on the premise that the accounting officer is responsible for instituting measures to ensure that resources are procured economically and used efficiently and effectively.

The primary objective of performance auditing is to confirm independently that these measures do exist and are effective. A structured reporting process is used to provide management, Parliament and other legislative bodies with information on shortcomings in management measures and, where applicable, examples of their effects and suggestions for improvement.

It is not the AGSA's function to question policy, but rather to audit the effect of policy and the management measures that lead to policy decisions.

### 9.1.2 Audit approach

Performance audits are conducted according to the *Performance audit manual, 2008*, which contains the policies, standards and guidelines for the planning, execution, reporting and following up of performance audits in the public sector. In view of the complexity of the environment to be audited, each performance audit focuses on a delimited segment of the activities of a particular institution. Preference is, therefore, given to the more important aspects.

The management of the department was given detailed information on the objectives of the audit and the audit questions to be addressed during the audit. Arrangements were made to establish a steering committee consisting of the audit team and the department's senior staff.

The main purpose of the steering committee was to ensure the creation of a structured communication line and the cooperation of all the relevant parties. During the steering committee meetings, agreement was sought on matters such as the audit criteria, findings and conclusions. Issues were deliberated and the representatives of the department were afforded the opportunity to submit timely inputs towards the final management report. This approach should lead to the prompt implementation of corrective steps where weaknesses have been noticed.

It is, however, in no way the intention or practice of the steering committee to provide the institution with a veto power in respect of the nature and scope of the performance audit or the resultant report. A steering committee is a consultative, consensus-seeking forum, but the relevant statutory powers remain vested in the AGSA. A steering committee meeting was held with the department's management on 18 November 2015, where consensus was reached on the factual correctness of the findings contained in the report.

## 9.2 Mandate

This performance audit was conducted in accordance with the mandate conferred by section 188(4) of the Constitution of the Republic of South Africa, 1996, read in conjunction with sections 5(1)(d) and 29(3) of the Public Audit Act, 2004 (Act No. 25 of 2004).

While it is not within the auditor-general's mandate to question policy, the auditor-general does assess the effects of policy (in terms of the principles of economy, efficiency and effectiveness) and the overall management measures that lead to policy decisions.

### 9.3 Purpose of performance auditing

Performance auditing constitutes an independent, objective and reliable examination to determine whether government projects, programmes, systems, activities or organisations are performing in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement. Performance auditing seeks to provide new information, analysis or insights and, where appropriate, recommendations. Subject matter is not limited to specific programmes, entities or funds, but can include topics related to service delivery, value for money or the effects of regulations. Performance auditing places special focus on citizens. The primary questions being asked are whether government is 'doing the right thing' and doing this 'in the right and least expensive way'.

The reports generated through the performance auditing process inform Parliament and other institutions charged with oversight of the extent to which audited entities:

- procure resources of the right quality in the right quantities at the right time and place at the lowest cost (economy)
- achieve the optimal relationship between the output of goods, services or other results and the resources used to produce them (efficiency)
- achieve policy objectives, operational goals and other intended effects (effectiveness).

### 9.4 Advantages of performance auditing

Performance auditing benefits government by:

- promoting good governance, accountability and transparency
- creating mechanisms for change and improvement
- contributing to learning and change and serving as a basis for decision-making.

#### 9.4.1 Promoting good governance, accountability and transparency

Performance auditing assists those charged with governance and oversight to improve their performance. This is done by determining whether decisions taken by the legislature or executive authorities are efficiently and effectively implemented and whether citizens have received value for money. It provides constructive incentives for the responsible authorities concerned to take appropriate action.

Performance auditing affords taxpayers, financiers, ordinary citizens and the media an insight into the management and outcomes of different government activities, and contributes in a direct way to providing useful information to citizens while also serving as a basis for governmental learning and improvement.

#### 9.4.2 Creating mechanisms for change and improvement

In the private sector, a company's success can be assessed by its ability to generate a profit. A company that does not continually improve will, ultimately, be forced to leave the market. There is no similar mechanism in the public sector. While it is possible to reorganise activities in the public sector and even close some agencies, even the most unsuccessful key ministry will retain some necessary functions.



This requires the public sector to create different mechanisms to measure results and ensure continual improvements in government entities. Performance budgeting, management and reporting are commonly used as such mechanisms. Performance auditing plays a role in highlighting problems and promoting change.

### 9.4.3 Contributing to learning and change, serving as a basis for decisionmaking

Performance auditors are not a part of the system they audit, which makes it easier to listen objectively to the views and knowledge of different stakeholders at different levels of the public administration. This enables performance auditors to impart new knowledge and understanding to stakeholders. Such new knowledge promotes learning and change.

As resources are scarce, the efficient and effective achievement of objectives is emphasised. Decisions need to be made on how to prioritise different programmes and ministries. Performance auditing serves as a basis for decisions on how to prioritise and make better use of available resources.

### 9.5 Difference between performance auditing and other types of auditing

The three recognised types of government auditing are:

- financial auditing
- performance auditing
- compliance auditing.

The concept of regularity auditing covers both financial and compliance auditing. Performance auditing may include dimensions of compliance, but not as an end in itself. In performance auditing, compliance with rules and regulations is a tool to assess the performance of the audited entity. The main differences between regularity auditing and performance auditing are highlighted below.

| Aspect         | Performance auditing  | Regularity auditing  |
|----------------|---|--|
| Purpose        | Assess whether the performance of the audited entity meets the three Es (economy, efficiency and effectiveness) | Assess financial statements, financial management and whether the accounts are true and fair |
| Starting point | Presumed problems   | Done on an annual basis  |
| Focus          | The performance of the organisation / programme and its activities  | The accounting and financial management systems  |
| Academic base  | Interdisciplinary (economics, political science, engineering, health, education and other related disciplines)  | Accounting, auditing and financial management  |

### 9.6 Performance audit process

The audit process was standardised and guided by the *Performance audit manual, 2008*, which sets out the policies, standards and guidelines for the planning, execution, reporting and follow-up of performance audits conducted in the public sector.

As required by the manual, sufficient audit evidence was obtained for the findings and illustrative examples contained in this report. These examples have been included to illustrate the consequences and effects of deficient management measures and are not collectively a full reflection of the extent of audit work conducted at entities.

In view of the complexity of the environment to be audited, each performance audit focuses on a delimited segment of the activities of a particular institution. Preference is, therefore, given to the more important aspects.

### 9.6.1 Focus areas and key audit questions

The performance audit of the Gauteng URP programme at the Gauteng Department of Human Settlements sought to answer the following questions:

| Focus area | Overall audit question  |
|------------|---|
| Overall    | Are the URPs still aligned to the areas as prioritised when the URPs first started? |

| Focus area                     | Key audit question   |
|--------------------------------|--|
| Planning                       | Is the planning for the URP adequate?  |
| Implementation                 | Are the URPs being implemented according to the initial scopes of the work?  |
| Access to basic infrastructure | Has the URP succeeded in ensuring that communities have sustainable access to basic infrastructure such as bulk water and sanitation services as well as housing and social amenities? |
| Supply chain                   | Were the proper supply chain processes followed?   |

### 9.6.2 Audit criteria

The performance audit of the URP of the Gauteng Department of Human Settlements was conducted in accordance with the following audit criteria:

#### To determine whether the urban renewal projects are adequately planned

Needs determination should be performed

Planning for the projects should be done effectively

Projects should be prioritised in line with the needs and objectives

Costing should be done for each project in the business plan

The scope determination of the URP should be properly defined

#### To determine whether the projects are being implemented according to the initial scope of the work

Adequate budget provision should be made annually to execute the planned projects

The scope in the amended master business plans should be consistent with the original business plan where applicable

Projects should be implemented effectively, efficiently and economically

Projects should be implemented in line with the scope of the approved business plans

The department should have a reliable information management system that provides accurate documentation and tracking of deliverables against the initial master business plans

Effective project management and monitoring should be performed by the department

#### To determine whether the URP succeeded in ensuring that communities have sustainable access to basic infrastructure such as bulk water and sanitation services

The URP should ensure that communities have access to basic services such as water, sewerage and roads and storm-water

The URP should ensure that communities have access to sustainable housing opportunities

Social amenities for beneficiary communities, such as libraries and cemeteries, should be provided

#### To determine whether contracts were properly managed

Contract management should be planned and performed in accordance with SCM directives.













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