



AUDITOR - GENERAL  
SOUTH AFRICA



PFMA 2011-12

## Audit outcomes of the Public Works Sector

CONSOLIDATED GENERAL REPORT  
on NATIONAL and PROVINCIAL audit outcomes



# Our reputation promise/mission

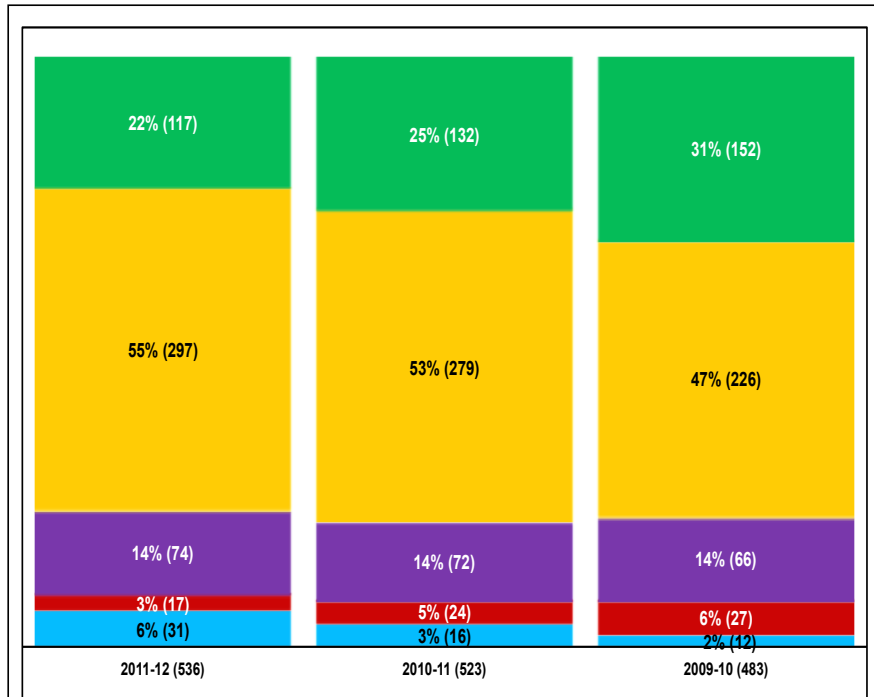
The Auditor-General of South Africa (AGSA) has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.





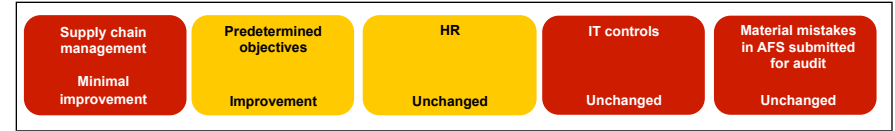
FOREWORD

Slow progress towards clean audits with slightly more regressions than improvements

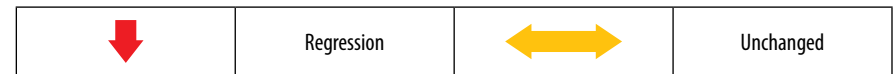
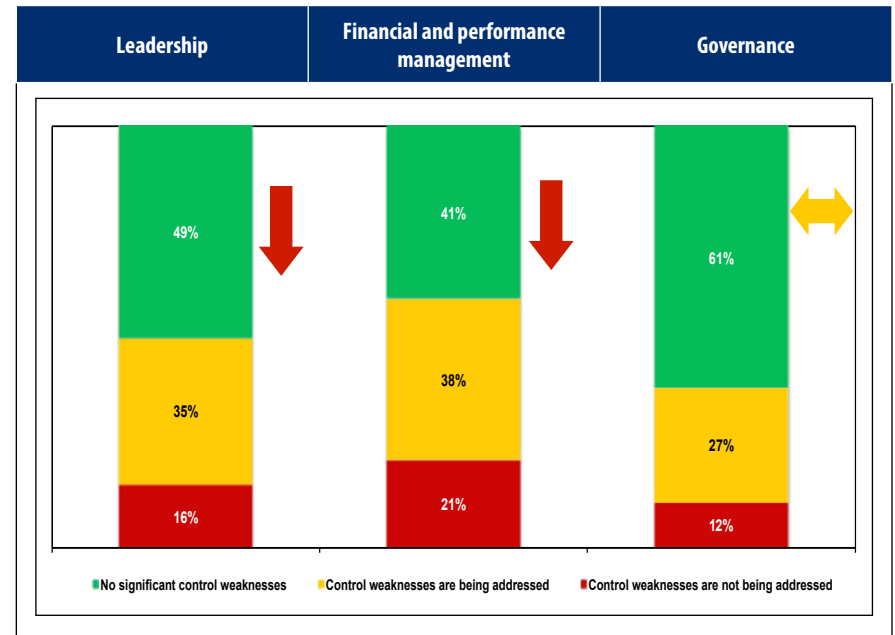


Limited progress made in addressing five key risk areas and regression in overall status of key controls

5 risk areas



Key controls



Pervasive root causes

- Vacancies in key positions, leadership instability and ineffective performance management
- Internal controls not effective – checks and balances not performed
- Not all role players are providing the level of assurance required



# FOREWORD

It is a pleasure to present to Parliament my 2011-12 general report on audit outcomes of departments, legislatures, public entities and other entities in the national and provincial spheres of government.

In response to the 2010-11 audit outcomes, commitments were made by the executive and oversight bodies to intensify their efforts in bringing positive change within the administration.

Despite my expectation that these commitments would drive improvements towards clean audits, the audit outcomes for the year show a general stagnant trend, with less than a quarter of auditees obtaining clean audit opinions and 52 not able to sustain their prior year clean audit opinion. My report shows that many leaders did not own and drive these commitments, so the commitments are left to flounder until the next audit starts. In this regard, I single out two significant commitments made a year ago:

- The executive committed to meet with my office quarterly for at least an hour. About 78% of them have made time at least three times in the past year to meet and share the results of our assessment of the risks and controls and to consider the status of commitments made and make new commitments. Although the engagements were well received, only small movements in audit outcomes can be seen. This was due to frequent leadership changes resulting in disruption in the implementation of commitments, our message being ignored, or our conversation not being compelling and persuasive enough. We therefore undertake to continue with the quarterly engagements, but with greater emphasis on quality conversations leading to increased impact.



- Parliament and legislatures committed to improve the collaboration between their respective public accounts committees and portfolio committees. We have yet to see more concentrated efforts in this regard as an uncoordinated approach will continue to weaken the effectiveness of oversight.

Of special concern is the increase in auditees with material findings on non-compliance with legislation, bringing it to 74%. Even though I have stressed for the past three years the urgent need to address the quality of the financial statements submitted for audit and weaknesses in supply chain management, human resource management and information technology controls, there has been minimal improvement.

The usefulness and reliability of the annual performance reports continue to improve, which is gratifying. I am now able to make a clearer assessment of service delivery risks but not to the full extent necessary (as some key departments responsible for national outcomes, such as those in the health, education and human settlement sectors, continue to have material shortcomings). Based on the annual performance reports, about 42% of auditees achieved 80% or fewer of their planned service delivery targets, while some departments had significantly underspent their conditional grants and capital budgets. My report further highlights risks to the financial health of national and provincial government flowing from poor budget management, cash and debtors management of departments and the financial management of some public entities. These indicators reflect that the fiscus could be placed under further pressure if such risks are not addressed.

In this general report, I raise three areas that require corrective steps by those charged with governance to achieve improvements in the audit outcomes:

- **Vacancies in key positions** and **instability in leadership** positions affect the pace of sustainable improvements. **Ineffective performance management** is evident at some auditees, which means that officials who perform poorly are not dealt with decisively. A concerted effort is required to address the challenges in human resource capacity and productivity.

- **Effective internal controls** to prevent, detect and correct non-compliance with legislation and mistakes in the financial and performance reports are lacking. Overall the effectiveness of key controls has regressed, as they were not designed and implemented in a sustainable manner. Checks and balances for all key processes, monthly reporting and validation processes to ensure the credibility of all management information are basic controls which skilled professional should be able to implement.
- Governments should be monitored in a thorough, diligent and collaborative manner. My office only provides independent assurance on the credibility of financial and performance information and compliance with selected legislation. We are not the only **provider of assurance** to the citizens that government is delivering services in a responsible and accountable manner. The monitoring functions vested in **senior management, accounting officers, internal audit, audit committees and executive authorities** should be better exercised so that audit outcomes and service delivery issues are dealt with through self-monitoring, while audit provides an external validation. The **treasuries, offices of the premiers, public service administration and other coordinating/monitoring institutions** should fulfil their role envisaged in legislation to guide, support, coordinate and monitor government. The **legislatures and Parliament** should be scrupulous and courageous in performing their oversight function in order to make an impact on clean administration. My assessment (detailed in this report) is that not all of these role players are providing the level of assurance required to create the momentum towards improve audit outcomes.

A common reaction to the audit outcomes is the question posed by many about the need for officials to be accountable, and for there to be consequences for poor performance, misappropriation of state resources and fraud. In response, we have highlighted in a separate booklet, the range of legislation at the government's disposal that enables remedies to be applied where there has been transgression. These must be used where necessary to reverse the culture of "business-as-usual". It is my assessment that the full power of the law is yet to be activated, leading to commentators asking "What can be done?" or saying "There are no consequences".

Highlighting these remedies provides a starting point for our responsible leaders and the relevant legislatures and departments to take action. All parties have to play their part.

Although progress towards clean audits is slow, I am encouraged by examples of commitments by leaders and officials which translated into improved audit outcomes and I am confident similar results can be achieved by all auditees. In conjunction with various key role players, my office has provided input towards the development of solutions to the challenges highlighted in this report, and will in future share assessments of progress in joint sessions with the Head of Government Business and Parliament and through similar engagements in the provinces.

It is through all our efforts and the work of auditors that we will contribute towards strengthening our democracy through auditing.

*Auditor-General*

**Auditor-General**  
**Pretoria**  
**March 2013**










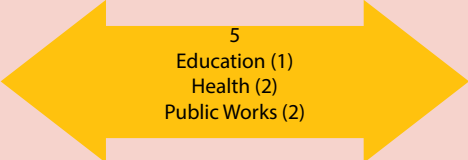
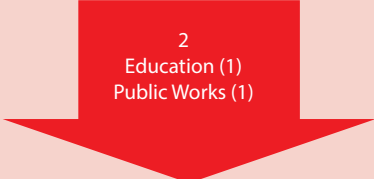
SECTOR AUDIT OUTCOMES



# SECTOR AUDIT OUTCOMES

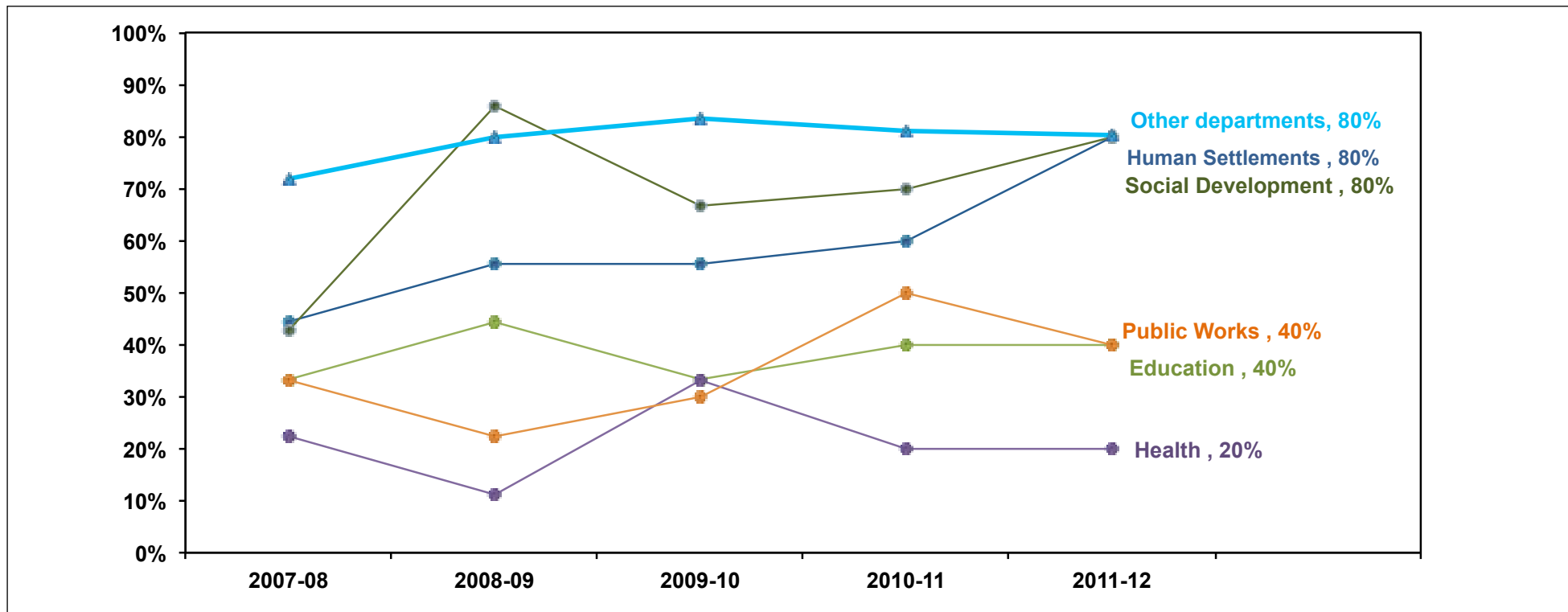
## AUDIT OUTCOMES OF SECTOR DEPARTMENTS

### Current year (2011-12) improvements and regressions in sector department audit outcomes

Movement in audit outcomes from 2010-11 of major sectors				
Audit opinion	Improvement	Unchanged	Regressed	Total auditees reported on
Financially unqualified with no findings				0
Financially unqualified with findings	 <p>6 Education (1) Health (1) Human Settlements (1) Public Works (1) Social Development (2)</p>	 <p>18 Education (3) Health (1) Human Settlements (5) Public Works (3) Social Development (6)</p>	 <p>1 Human Settlements (1)</p>	25
Qualified, with findings		 <p>13 Education (3) Health (5) Human Settlements (2) Public Works (1) Social Development (2)</p>	 <p>5 Education (1) Health (1) Human Settlements (1) Public Works (2)</p>	18
Adverse/Disclaimer, with findings		 <p>5 Education (1) Health (2) Public Works (2)</p>	 <p>2 Education (1) Public Works (1)</p>	7
<b>Total</b>	<b>6</b>	<b>36</b>	<b>8</b>	<b>50</b>



**Five-year progress towards financially unqualified audit reports: Sector departments compared to other departments**



Since the 2007-08 audit cycle the AGSA's regularity audits have included a specific assessment of service delivery aspects relevant to the health, education and human settlements sectors, with the audits of the social development and public works sectors added and reported on in the 2008-09 general report. It is important to note that the total budgets for the 50 departments within the five sectors (Education, Health, Human Settlements, Public Works and Social Development) represent approximately 85% of the total budget for all provincial departments. Apart from their size, unique aspects related to these five sector departments include the specific focus of the 12 national outcomes on the services to be delivered by the sectors as well as the importance of these sectors in building a strong society and economy. Other unique aspects of these five sectors include their dependency on an appropriately trained, skilled and committed workforce, the need for appropriate policies and procedures to ensure efficient and effective service delivery as well as the importance of good and functional monitoring and evaluation systems to ensure relevant and continuous service delivery of good quality. This section summarises the outcomes related to the audits of financial statements and performance against predetermined objectives and compliance with laws and regulations. Sector department audit outcomes are analysed in more detail in sub-sections 3.2.1 to 3.2.5, together with findings arising from the audit of their implementation of key national programmes.

### Audit outcomes of sector departments: Progress towards financially unqualified audit reports

As depicted, the sector departments were subject to a net deterioration in their current year audit outcomes, with the Social Development and Human Settlements portfolios having reached the same level of financially unqualified audits as the non-sector departments over the past five years.

Movements in financial statement areas that attracted audit qualifications are summarised in the following table.

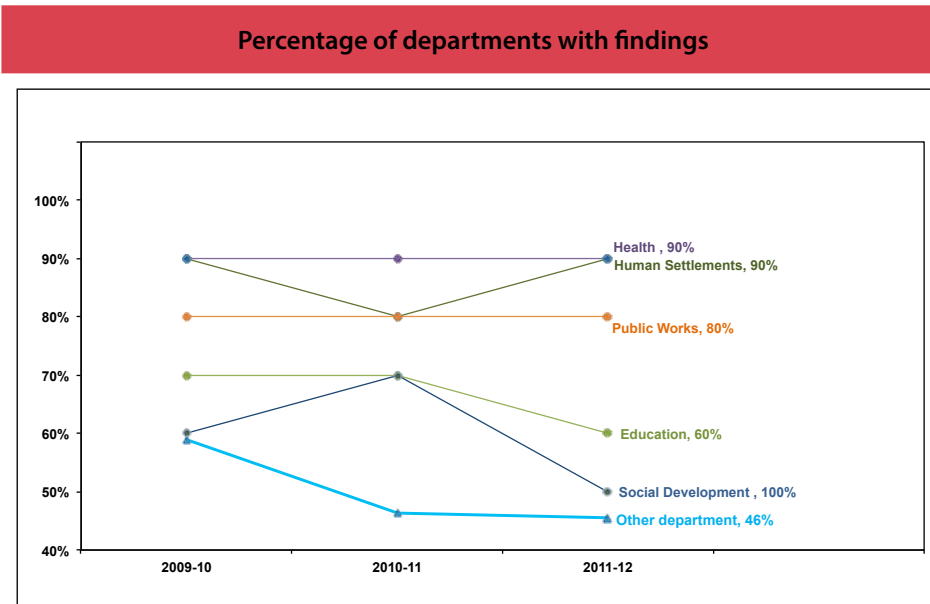
**Table 29: Movements in financial statement areas that attracted qualifications**

Financial statement qualification areas	Number of departments	Education	Health	Human Settlements	Public Works	Social Development
Property, plant and equipment	19	↑	↑	↓	↓	↓
Other disclosure items	14	↔	↓	↔	↑	↑
Receivables (debtors)	11	↔	↑	↔	↔	↔
Payables, accruals and borrowings	9	↓	↑	↑	↔	↔
Expenditure	9	↑	↓	↑	↔	↔
Unauthorised, irregular and fruitless and wasteful expenditure	14	↓	↑	↔	↑	↔

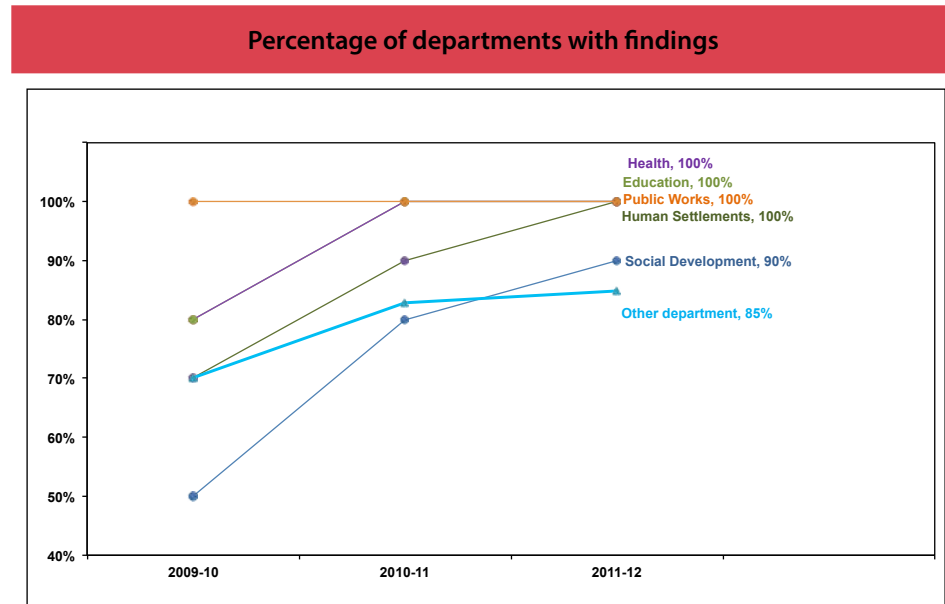
Decrease	↓	Increase	↑	Unchanged	↔
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## Sector departments' rate of addressing findings on predetermined objectives and compliance

**Figure 47: Three-year progress in addressing findings on predetermined objectives - Sector departments compared to other departments**



**Figure 48: Three-year progress in addressing findings on compliance - Sector departments compared to other departments**





## Sector departments' rate of addressing findings on predetermined objectives and compliance with laws and regulations

The slow progress made over the past three years by sector departments in addressing findings on PDOs and compliance, compared to other departments, is depicted in **figures 47 and 48**. Key findings specifically relating to the sector departments are outlined in the following table.

**Table 30: Sector departments' rate of addressing findings on predetermined objectives and compliance with laws and regulations**

PDO findings	Summary of PDO findings in the sector departments
<b>Usefulness and reliability of PDO information</b>	<p>Only 24% of the sector departments had no PDO findings, compared to an average of 54% for the other departments.</p> <ul style="list-style-type: none"> <li>Audit findings relating to usefulness were raised at 51% of the sector departments, with 59% of them having findings on the reliability of their reported performance information.</li> <li>No significant progress has been made by the sector departments in addressing control weaknesses identified in the 2010-11 financial year relating to major information systems used by them, which include: EMIS (Education), DHIS and ETR.NET, (Health) and the department of Public Works' WCS and PMIS. Section 3 of part 1 of this report provides details of findings arising from these information systems.</li> </ul>
<b>Findings on compliance</b>	<b>Summary of findings on compliance in sector departments</b>
<b>Supply chain management</b>	<p>Limitations on planned audits were experienced due to appropriate documentation not being available at 17 (35%) of the sector departments. Other findings include the following:</p> <ul style="list-style-type: none"> <li>Uncompetitive or unfair procurement processes ranging from 56% to 100% of the departments within the five sectors.</li> <li>Contracts were awarded to employees or state officials at 20 (41%) of the sector departments and awards to close family members of employees at 19 (39%) of them.</li> </ul>

<b>Unauthorised, irregular and fruitless and wasteful expenditure</b>	<ul style="list-style-type: none"> <li>The aggregate level of unauthorised expenditure incurred by the sector departments remained at approximately the same level of the prior year: R2,8 billion. Irregular expenditure increased by 14% to R15,8 billion, of which only R8,8 billion was detected by the sector departments themselves and the balance by the AGSA audit.</li> <li>For the year under review the sector departments contributed 69% of the total unauthorised, irregular and fruitless and wasteful expenditure incurred by national and provincial government (totalling R28,4 billion for the 2011-12 financial year).</li> </ul>
<b>Other significant findings</b>	<p><b>Summary of findings on compliance in sector departments</b></p> <ul style="list-style-type: none"> <li>Seventy-eight per cent of sector departments submitted financial statements for audit that contained material misstatements. Poorly developed internal controls that should prevent, detect and correct errors may in future result in a situation where the nature or extent of required corrections are such that these cannot be made during the audit, resulting in financially qualified audit opinions.</li> <li>The level of findings on Expenditure management and Revenue management have increased further from the high levels of the 2010-11 financial year, with Expenditure management increasing from 51% to 59% and Revenue management increasing from 37% to 47%.</li> <li>The sector departments have not paid sufficient attention to the prior year findings on Human resource management, which increased from 47% to 59% over the 2010-11 financial year. Audit findings raised during the year under review are as follows: management of vacancies (59% of departments), appointment processes (57% of the sector departments) and management of leave, overtime and suspension (55%).</li> </ul>

### Root causes of lack of progress towards clean audits by sector departments

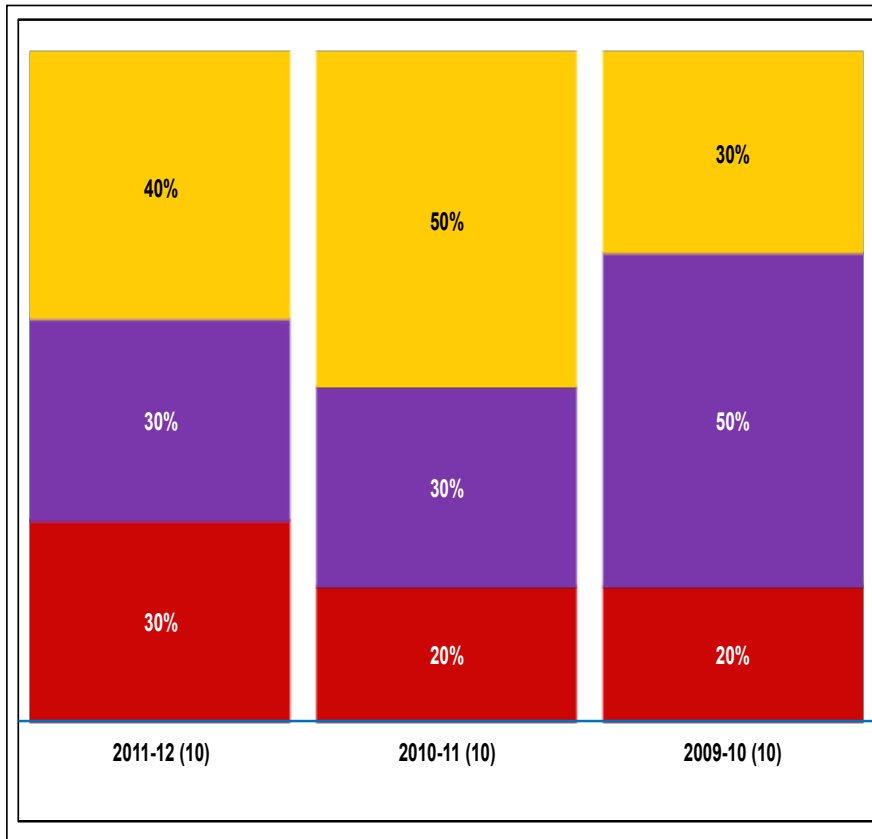
The root causes of the inability of sector departments to produce unqualified financial statements and their slow progress in addressing findings on PDOs and compliance, as detailed in sub-sections 2.2, 2.3 and 2.4 of this general report, can be summarised as follows:

- Instability at leadership level.
- Commitments by the leadership of relevant sector departments and coordinating national departments to intervene and/or support those departments were not honoured.
- Action plans to address prior year audit findings were not adequately designed or properly implemented.
- Sector departments have not filled key vacancies and some posts were filled with officials who do not possess the requisite levels of skills and experience.
- Repeated material audit findings and even serious regression in the audit outcomes in many cases do not attract appropriate consequences for poor performance by the responsible officials.
- Lack of attention to the requirements of performance management frameworks, for example lead to sector targets not being SMART in all instances. Although some sector departments started with the process of aligning the sector indicators and targets to the relevant 12 national outcomes, this process should be further refined to ensure appropriate and relevant targets to achieve the relevant outcomes as well as to ensure good quality service delivery. In this regard the relevant coordinating departments and legislatures must become actively involved in improving the usefulness of PDOs and ensuring that the budgeted programmes are aligned to those objectives. Prior year reported information system deficiencies and limitations to support reporting against PDOs are not being addressed.

- Daily processing of information and monthly reconciling routines have not yet been established.

The drivers of internal controls (leadership, financial and performance management and governance) for sector departments have generally regressed since the previous financial year.

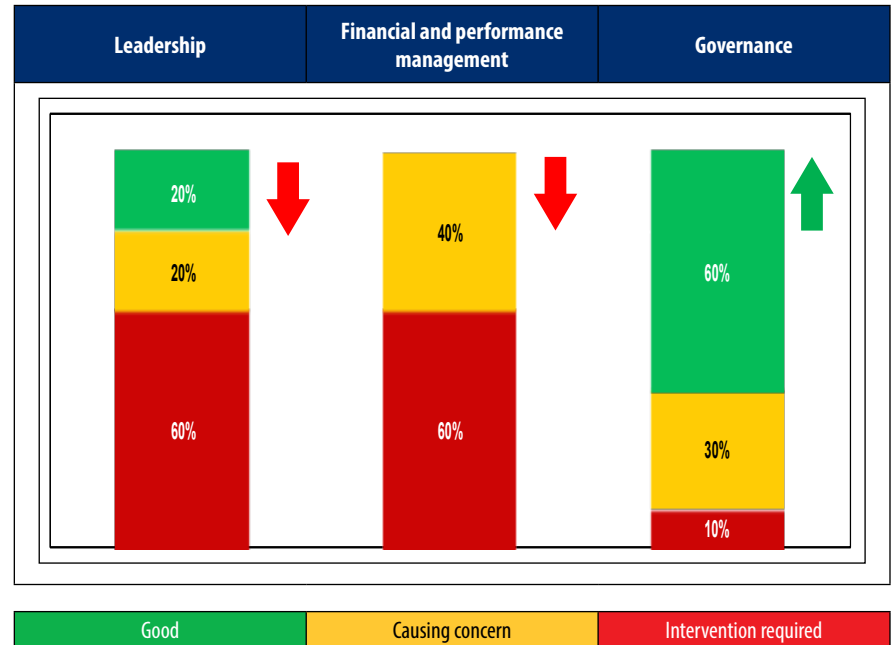
# PUBLIC WORKS



5 risk areas



Key controls



Root causes risk

Instability in key leadership positions and a lack of human resources capacity had a negative impact in providing effective leadership.

Implemented controls over daily and monthly processing and reconciling of transactions were ineffective. Inadequate discipline to review and monitor financial and performance information.

Action plans for improving audit outcomes were not timeously implemented.



**Table 45: Significant aspects of the audit outcomes**

Province	Audit outcomes 2011-12	PDO findings	Compliance findings	Audit outcomes 2010-11	PDO findings	Compliance findings	Trend
National Public Works	Disclaimer			Disclaimer			↔
Eastern Cape	Qualified			Financially unqualified with findings			↓
Free State	Qualified			Qualified			↔
Gauteng	Financially unqualified with findings			Financially unqualified with findings			↔
KwaZulu-Natal	Financially unqualified with findings			Qualified			↑
Limpopo	Disclaimer			Qualified			↓
Mpumalanga	Financially unqualified with findings			Financially unqualified with findings			↔
Northern Cape	Qualified			Financially unqualified with findings			↓
North West	Disclaimer			Disclaimer			↔
Western Cape	Financially unqualified with findings			Financially unqualified with findings			↔

Legend   Finding   Improvement   ↑   Unchanged   ↔   Regression   ↓

## Significant aspects of the audit outcomes

The Public Works sector reflects one improvement, with KwaZulu-Natal improving from a qualification to financially unqualified with findings on compliance, and three regressions. The Eastern Cape and Northern Cape received qualified opinions whereas in the previous year unqualified opinions with findings were expressed, while Limpopo regressed from a qualified opinion to a disclaimer of opinion in the current year. Audit opinions for the rest of the sector remained consistent, with the national department and North West receiving disclaimers, Free State remaining qualified and other departments receiving unqualified opinions with findings.

Regressions in the sector are primarily attributable to instability in key leadership positions and a lack of human resource capacity. There are ineffective controls over daily and monthly processing and reconciling of transactions and financial and performance information is not being properly reviewed and monitored by management and those charged with governance. Timely action was not taken to resolve audit qualifications reported in the previous financial year and decisive action is not taken against officials transgressing laws and regulations, resulting in non-compliance recurring.

The shortcomings in the information technology (IT) environment and systems are in the process of being addressed; however, significant improvement has not been noted during the year under review.

The most significant qualification areas for the sector are immovable assets, other disclosure notes and unauthorised, irregular and fruitless and wasteful expenditure. Six departments were qualified on immovable assets due to their inability to produce accurate, complete and valid immovable asset registers in support of the figures disclosed and insufficient coordination between the national and provincial departments.

Four departments were qualified on other disclosure notes and five departments on the completeness of irregular expenditure. Qualifications on other disclosure items resulted from a lack of understanding/knowledge on the part of staff responsible for compiling the required information as well as the disclosure notes not being compiled and reviewed on a monthly basis. Furthermore, the

information systems in place are not conducive to generating the information required to fairly present the disclosure notes and there are inadequate manual compensating controls in place.

Irregular expenditure was not completely accounted for as officials failed to recognise and disclose irregular transactions as a result of supply chain management (SCM) procedures not having been followed. The sector incurred irregular expenditure amounting to R2,1 billion compared to R998 million in the previous year. It is clear that compliance with applicable SCM laws and regulations and the prevention of irregular expenditure are not being prioritised enough by leadership and management of the departments and this should be addressed without delay.

Reporting on predetermined objectives remains a challenge for the sector with 80% of departments having findings in this area. The current systems in place are not in all instances adequately governed by policies and procedures in terms of the collection, monitoring and reporting of such information. Furthermore, control and reporting systems as well as the present information technology (IT) infrastructure are not adequate to ensure accurate, valid and complete reporting on PDOs. Intervention is also required to ensure that all officials involved in the process are well versed in the performance management requirements and principles, as required by the National Treasury *Framework for managing programme performance information*.

Findings on compliance were reported at all departments, with the most critical areas of non-compliance being procurement and contract management (all departments), expenditure management (9 departments), financial statements being subjected to material adjustments subsequent to submission (9 departments), revenue management (8 departments) and human resource and asset management (7 departments).

It is recommended that appropriate systems, processes and procedures be implemented by the departments to prevent non-compliance with applicable laws and regulations. In addition, leadership oversight and monitoring controls with respect to compliance with laws and regulations should be enhanced, while immediate and decisive action should be taken against officials committing and

permitting non-compliance to prevent these findings from recurring in future financial periods. Start here

In the prior year, all departments made commitments to develop action plans to address qualification areas and findings on reporting on predetermined objectives and compliance with laws and regulations. These initiatives were, however, not fully implemented in all instances and as a result only KwaZulu-Natal managed to improve its audit outcome. Decisive and effective leadership was not exhibited in driving the implementation of audit action plans to address the affected areas and holding officials accountable for failing to timeously implement corrective actions proposed. This is also reflected in the assessment of key controls presented above where there were regressions in the areas of leadership as well as financial and performance management.

During 2006 a decision was taken that accommodation-related costs be devolved by the national Department of Public Works to client departments, which resulted in the establishment of a trading entity, namely the Property Management Trading Entity (PMTE). As a result, the following functions are performed by the PMTE and not by the national department: construction and planned maintenance; payment of property rates and taxes; and entering into lease agreements with private land lords to obtain accommodation where state-owned properties cannot fulfil the needs of client departments and subsequently managing these leases. The PMTE received a disclaimer of audit opinion for the 2011-12 financial year and significant non-compliance with relevant laws and regulations was identified. Because of the importance of its functions in relation to the sector the findings reflected in the following tables include findings that were identified during the audit process of the PMTE.

### Findings relevant to key service delivery aspects in the public works sector

For the year under review, the focus was on the following service delivery aspects within the public works sector:

- Management of accommodation for client departments
- Management of arrear rates and taxes

- Project management of infrastructure projects
- Expanded public works programme (EPWP)

### Management of accommodation for client departments

**Service delivery objective:** The mandate of the national Department of Public Works is articulated in GIAMA. The objective of the act is to ensure efficient and effective immovable asset management within government in order to improve overall service delivery. One of the objectives of the sector departments is to provide and manage the accommodation, housing, land and infrastructure needs of user departments. The following findings were noted:

**Table 46: Findings on management of accommodation for client departments**

No.	Findings	Number of provinces affected		
		2011-12	2010-11	2009-10
1	Immovable Asset management plan not in place or the immovable Asset management plan in place did not address the needs of all client departments (FS, NC, NW, LP, MP and National)	6	4	*1
2	No processes/procedures to identify unused owned and leased buildings, resulting in fruitless and wasteful expenditure (EC, KZN, MP, NW and National)	5	7	*
3	Utilisation inspections not carried out to verify occupation of accommodation and assess condition of buildings (FS, GP, LP, NW, WC and National)	6	6	7
4	No strategy in place to address maintenance backlogs (FS, GP, MP, NC, NW and National)	6	4	3
5	SCM processes not followed for lease contracts (WC, FS, LP, MP, NW and National)	6	4	*



**Conclusion:** The management of accommodation for client departments remains a concern. There was poor coordination between the public works sector and client departments to obtain accurate accommodation needs to enable the sector to plan strategically to address requirements. Sufficient procedures to identify vacant buildings are not in place in all instances, which could lead to departments paying rental for buildings that are not occupied, leading to fruitless and wasteful expenditure. The effect of this poor coordination is also evident in the number of leases that are running on a month-to-month basis as a result of the public works departments not timeously and effectively liaising with client departments to procure new leased accommodation, in line with the client department's needs, when the existing lease is nearing expiry. In certain instances this has resulted in eviction of client departments from their premises.

The necessary monitoring measures and oversight to ensure compliance with relevant laws and regulations were not implemented to ensure that the awarding of contracts to landlords for leased accommodation is fair, transparent, cost effective and equitable. The departments also did not have adequate strategies in place to address maintenance backlogs. The national department did not implement controls to ensure that accurate information was captured onto the Property Management Information System (PMIS) and, furthermore, several deficiencies exist around the system, especially with respect to user access controls as well as back-up and disaster recovery processes.

Departments should ensure that comprehensive and accurate user and custodial asset management plans are compiled by client departments and that utilisation inspections are carried out to facilitate strategic planning with regard to the building, buying or leasing of accommodation. Leadership must prioritise their oversight function in respect of compliance with laws and regulations when leased accommodation is procured. The shortcomings in and around the PMIS must be addressed by the national department as a matter of urgency, especially given that the accuracy of payments being made to landlords are dependent on the PMIS as payments are automatically calculated based on information contained in the system.

## Management of arrear rates and taxes

**Service delivery objective:** In 2008-09 the function of payment of property rates and taxes was assigned to the provincial departments. The devolution of property rates fund grant was established for this purpose.

Therefore, the accounting officer of each department (national and provincial) is responsible for paying the property rates on all the properties owned. The following findings were noted:

**Table 47: Findings on management of arrear rates and taxes**

No	Findings	Number of provinces affected		
		2011-12	2010-11	2009-10
1	No process to ensure complete payment of rates and taxes (GP, LP, NW and National)	4	4	2
2	The department did not pay outstanding property rates for properties devolved to the province (EC)	1	*	*
3	Fruitless and wasteful expenditure was incurred due to penalties and/or interest for the non-payment of outstanding property rates (KZN and National)	2	*	*

**Conclusion:** Even though the majority of departments were not affected by material findings identified in respect of the management of rates and taxes, it should be noted that the full extent of rates and taxes payable to municipalities cannot be confirmed until the vesting process (the process of establishing the rightful owner of the property in terms of applicable legislation and the owner accepting accountability of the asset in question) is completed, which is targeted for 2014.

## Project management of infrastructure projects

Service delivery objective: The functional mandate of the public works sector is to provide land and accommodation to government departments and institutions. For the sector to deliver on its mandate, it needs to use an efficient and effective project management system to manage the large budget allocation on its projects by completing projects on time, within the budget and according to the specifications and needs of client departments. The following findings were noted:

**Table 48: Findings on project management of infrastructure projects**

No.	Findings	Provinces affected		
		2011-12	2010-11	2009-10
1	Inadequate management information for evaluation and monitoring of projects to identify, avoid and address delays and/or overspending on projects (LP, NW, FS, MP, NC and National)	6	6	*
2	Non-compliance with SCM legislation in appointment of contractors (FS, NW, MP, NC and National)	5	5	*
3	Project managers not registered with Project and Construction Management Council (LP, NW, MP, EC and FS)	5	5	4
4	Adequate action not taken against non-performing contractors (GP, NW, MP and National)	4	3	*
5	High numbers of variation orders to change scope of projects resulting in potential fruitless and wasteful expenditure (NW, EC, FS and National)	4	3	*
6	Construction contracts did not provide for penalties for late completion/penalties waived without valid reasons (GP, NW, MP and National)	4	2	*

**Conclusion:** The findings in the table above indicate that monitoring of projects is not in all instances of the desired standard. Given the fact that the public works sector mainly acts as an implementing agent on these infrastructure projects, service delivery is negatively affected across government when these projects are not executed in accordance with specifications and predetermined timelines. Departments should address the shortcomings identified, specifically focusing on only appointing contractors with the required skills and capacity for construction contracts, monitoring the work of contractors continuously and taking timely corrective action in respect of slow progress and poor quality workmanship. Key to this process is the departments ensuring that they address current capacity constraints in terms of skills and numbers of project managers.

## Expanded public works programme

**Service delivery objective:** The main objective of the EPWP is to ensure the creation of employment opportunities and the provision of training for unskilled, marginalised and unemployed people in South Africa. The EPWP promotes the use of government expenditure to create additional employment opportunities by introducing labour-intensive delivery methods and additional employment and skills programmes for the participation of the unemployed in the delivery of needed services. Funds for the performance-based incentives to municipalities and provinces are distributed on the basis of their ability to absorb unskilled labour in the EPWP projects. The following findings were noted:

**Table 49: Findings on expanded public works programme**

No.	Findings	Number of provinces affected		
		2011-12	2010-11	2009-10
1	Performance results could not be verified – number of employment days created (NC and National)	2	2	*
2	Performance results could not be verified – number of jobs created (EC and National)	2	4	*
3	Performance results could not be verified – number of youths (16 - 25) employed (EC and National)	2	2	*
4	Performance results could not be verified – number of women employed (EC and National)	2	2	*
5	Performance results could not be verified – number of people with disabilities (EC and National)	2	2	*

**Conclusion:** Improvement has been noted, with Gauteng, Northern Cape and North West resolving the weaknesses in terms of reliable reporting. This was a result of improved leadership oversight and implementation of proposed action plans to address findings raised in the prior year combined with improved record keeping.

The national department did not report on achievements for all prescribed targets, for example the number of people employed and the people trained was not reflected in the annual performance report. Furthermore, difficulties were experienced in verifying actual performance reported due to challenges in obtaining supporting documentation from implementing bodies (e.g. provincial departments and municipalities).

The Eastern Cape and Northern Cape were also unable to verify all reported performance mainly due to poor record keeping by the respective departments.

Achievements are not being reported in a consistent manner across the sector, which might hamper meaningful interpretation of performance against predetermined objectives in respect of EPWP for the sector as a whole. Furthermore, reasons for variances were not in all instances reported by departments. It should be noted that the explanation of major variances is critical for the understanding of the user of these reports and should therefore be included in all instances in future. Given the national importance of job creation, the resolution of these matters should receive priority. The national department should take the lead in driving consistency across the board.





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