

// SECTION 6



*Management and delivery
of key programmes*



THE PLANNING AND BUDGETING OF NATIONAL KEY PROGRAMMES

The National Development Plan launched in 2012 is the long-term strategy for South Africa. The plan focuses on the long-term goals set by government to systemically improve the well-being of the country and its citizens, with the aim of eliminating poverty and reducing inequality by 2030. The sustainable development goals adopted by South Africa drive the same agenda and also aim to protect the planet through sustainable development.

The MTSF is government's strategic plan for the 2014-19 electoral term. It reflects the commitments made in the election manifesto of the governing party, including the commitment to implement the National Development Plan. The MTSF sets out the actions government planned to take and the targets to be achieved over the five-year period. Through the MTSF, the intended outcomes of the period are determined, which then inform the **strategic plans and budgets of auditees**.

An abridged version of the budgets of national departments, namely the **estimates of national expenditure**, is also published annually. This document includes the budget for every national department and what they plan to achieve with the allocated funds. The budget of a department is **broken down into programmes**. Each programme has a specific purpose and objectives that are aligned to the mandate of the department and the objectives of the MTSF.

Departments also have more detailed **annual performance plans** that allow for the implementation of their strategic goals and objectives, through planned performance indicators and targets. The **annual reports** of these departments set out how well they have performed against their planned objectives, indicators and targets.



The achievement of the goals and objectives included in the strategic documents mentioned above (**IMPACT**) requires a systematic and well-coordinated process of planning (**PLAN**), disciplined implementation (**DO**), effective progress monitoring and evaluation (**CHECK**), and corrective action where delivery does not take place as planned (**ACT**).

In 2016-17, we reported on the management and delivery of selected key programmes and provided our assessments and recommendations on the financial and performance management required to achieve the planned targets and improve the audit outcomes. In 2017-18, we were again guided by the government priorities included in various strategic documents such as the National Development Plan and the MTSF to select key programmes on which to focus.

We audited the selected programmes in an **integrated** manner by covering all three disciplines of an audit, namely the financial statements, performance reporting, and compliance with key legislation. At some of the bigger service delivery departments and sectors, we did **additional work on the key projects that enabled delivery on these programmes**, often using performance auditors and experts such as engineers to determine if money was used effectively and efficiently – including the quality of project deliverables on, for example, infrastructure projects. This provided us with a unique and comprehensive view of the **management and delivery of key government programmes**. We reported our findings on key programmes to the accounting officers,

provincial leadership, ministers and portfolio committees to assist in the accountability and improvement process.

In this section, we report on the following three key programmes that we audited – all of which have a significant impact on the achievement of government priorities:

- Water infrastructure development
- Expanded public works programme (also shortened to EPWP in this report)
- Housing development finance

We report on the management and delivery of these key programmes to demonstrate the importance of **transparency and accountability for government spending**. Plans and budgets as included in the estimates of national expenditure should translate into service delivery through good financial, performance and project management, supported by the fair and transparent procurement of goods and services. Departments should account for how the money was spent in a credible and transparent manner; and report on the successes and failures of the funded programmes.

For each programme, we show the following:

- The **budget and purpose** of the programme and how much of the programme **budget had been spent**.
- Whether the key **indicators were achieved** and whether the report on achievements were **reliable**.

- Any **performance planning and reporting concerns** we identified and any **accounting problems** on the programme.
- **Findings on the key projects** that we audited.
- If a department provided a **grant**, the purpose and intended recipients of the grant, how that grant was **spent and accounted** for by the provincial departments, and whether the money was **spent in accordance with the grant framework** that defines the intended purpose of the grant. On the projects funded

by grants, we indicate whether the **targets were achieved and reliably reported**, whether there was **any non-compliance with SCM** prescripts, and **any other findings on the projects**.

- The **status** of the implementation of **previous commitments**.
- **Recommendations** to improve the audit outcomes.
- A **conclusion**.

In addition, we audited the following focus areas relating to the education and health sectors:

Education	Health
<p>Accelerated school infrastructure delivery initiative and education infrastructure grant</p> <p>Management (at school level) and monitoring (at district level) of curriculum coverage</p> <p>Learner-teacher support material retention and retrieval</p> <p>Early childhood development – grade R</p> <p>School governance</p> <p>Usage and verification of the South African school administration and management system data and the learner unit record information and tracking system</p> <p>e-Education (Operation Phakisa)</p> <p>Planning, commissioning and maintenance of infrastructure to support education service delivery needs</p>	<p>District health services – HIV/Aids, TB and maternal and child health</p> <p>Management of medicines and medical supplies at clinics</p> <p>Management of maternal health at community health care centres</p> <p>Planning, commissioning and maintenance of infrastructure to support health service delivery needs</p> <p>Emergency medical services</p> <p>Health information systems</p>



We identified significant weaknesses in the school infrastructure programme in the education sector and the district health services programme in the health sector. We will report the detailed findings on these programmes and the areas listed above through education and health sector reports to be tabled in the first quarter of 2019.



VOTE 36 – DEPARTMENT OF WATER AND SANITATION

PROGRAMME 3: WATER INFRASTRUCTURE DEVELOPMENT



PROGRAMME PURPOSE

Develop, rehabilitate and refurbish raw water resources as well as water and sanitation services infrastructure to meet the socio-economic and environmental needs of South Africa.

OBJECTIVES OF PROGRAMME

- Ensure the effective and sustainable management of water resources by transferring and monitoring funds to the Water Trading Entity for the design, construction, commissioning and rehabilitation of bulk raw water infrastructure, including dam safety rehabilitation, on an ongoing basis.
- Ensure adequate water availability through water resources infrastructure development and management, and enhance the provision of sustainable and reliable water supply and sanitation services through the regional bulk infrastructure grant, the water services infrastructure grant, and the accelerated community infrastructure sub-programme on a continuous basis.

MTSF OUTCOME SUPPORTED BY PROGRAMME

An efficient, competitive and responsive economic infrastructure network.

PERFORMANCE OF PROGRAMME

Key targets planned (and adjusted) for 2017-18	Achievement reported	Reliable?	Department's reasons for not achieving targets
Number of bulk raw water projects ready for implementation = planned 5 (target adjusted in-year to 4)	1	✓	Lack of bulk infrastructure to connect sanitation systems in Northern Cape and Free State
Number of bulk raw water projects under construction = planned 4 (target adjusted in-year to 1)	1	✓	Community unrests
Number of bulk raw water projects completed during the year = 1 (no adjustment)	0	✓	Further investigations/studies on some projects
Number of mega-regional bulk infrastructure project phases under construction = 15 (no adjustment)	10	✓	Budget constraints due to overpayments to contractors thereby depleting funds; payments on projects not budgeted for because of lack of maintenance of infrastructure by municipalities; as well as accruals on projects from prior years being paid from this year's voted funds
Number of mega-regional bulk infrastructure project phases completed = planned 3 (target adjusted in-year to 0)	0	✗	
Number of existing bucket sanitation backlog systems in formal settlements replaced with adequate sanitation services per year = 25 385 (no adjustment)	8 313	✓	Late transfer of grants delayed implementation of some projects
Number of rural households served to eradicate sanitation backlogs as per norms and standards = 10 032 (no adjustment)	5 126	✓	Delays in awarding tenders

■ Achieved
 ■ Not achieved

PERFORMANCE PLANNING AND REPORTING FINDINGS

The department amended the annual performance plan during the year, reducing some key targets of the programme as detailed above. We raised a material finding in this regard as the reason disclosed for adjusting the target for mega-regional bulk infrastructure projects to 0 was budget constraints, although one of the projects was funded through a direct grant transferred by the department.



SPENDING OF PROGRAMME BUDGET



ACCOUNTING AND GRANT MANAGEMENT FINDINGS

The financial statements of the department did not correctly portray the commitments related to this programme. (Commitments are the amounts the department has committed to spending on the projects through contracts and other agreements – the outstanding commitments (total commitment less the amount spent by year-end) are shown in the financial statements.) The department did not have adequate systems to process records related to projects, which resulted in the year-end commitments being overstated by R801 million – earning the department a qualified audit opinion. The approved budget that

was used for unbudgeted projects or overspending of previous years' accruals had a significant impact on service delivery, due to planned projects being stopped or postponed indefinitely.

We reported material non-compliance with the Division of Revenue Act by the department, as the allocations to the projects funded by the grants were not spent on their intended purposes in accordance with the applicable grant framework. The finding was based on the grants being underspent but there being no cash at year-end for the unspent portion.

WATER INFRASTRUCTURE PROJECTS

We tabled a **stand-alone performance audit report** in November 2016 on water infrastructure, which reported on the planning, management and implementation of water infrastructure projects. Our detailed audit of these projects highlighted weaknesses in the areas of leadership and oversight, funding, project management, and intergovernmental coordination. We also reported significant weaknesses in the management of water infrastructure projects at municipalities (funded by the regional bulk infrastructure grant and the water services infrastructure grant) in the **general report on local government** for the past two years.

In 2016-17, we selected 10 key projects (administered by the department; and implemented by the department, the Water Trading Entity, water boards or water service authorities) for auditing. We reported on deficiencies within these projects in the **2016-17 general report on national and provincial audit outcomes**. In 2017-18, we continued with our audit of key projects and selected 12 projects from programme 3 for auditing. Nine of these were included in the original annual performance plan targets.

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KEY FINDINGS

- The department enters into contracts with implementing agents (e.g. water boards or water service authorities) to construct capital infrastructure. These **implementing agents need to follow procurement processes and manage contracts in compliance with the same legislation** to which the department is subject, as they manage these projects and the funds on the department's behalf. We identified various contraventions of legislation on these projects in 2016-17 and 2017-18, which resulted in irregular expenditure. The department could not quantify the amount for 2016-17 and 2017-18. The most common finding was that **competitive bidding processes had not been followed** as the procurement was deemed an emergency, even though it related to multi-year projects. We also reported that the lack of processes and systems at the department to monitor compliance meant that undetected instances of non-compliance could result in even more irregular expenditure.
- We reported in 2016-17 that contractors were overpaid or paid for services not rendered. We could not determine the full extent of the **fruitless and wasteful expenditure** and reported that the department needed to investigate this further. The department had not investigated these instances by 2017-18 to confirm the value of fruitless and wasteful expenditure, resulting in a repeat qualification in the audit report.

- We further found the following at the projects audited:
 - There was either over- or underspending of multi-year budgets at 33% of the projects.
 - The multi-year targets were not achieved at seven projects (58%).
 - Four projects (33%) were not properly accounted for in the financial statements.
 - Five projects (42%) had grant management findings. Below are some examples of these findings.



EXAMPLES OF GRANT MANAGEMENT FINDINGS

- No business plans were obtained from the relevant municipalities as required by the Division of Revenue Act with regard to the **emergency intervention of Vaal refurbishment WWTP** project, due to the project being an emergency and executed by the department. In terms of the act's framework relating to the water services infrastructure grant, municipalities must submit business plans to the Department

of Water and Sanitation, setting out the responsibilities of maintenance after refurbishment. These projects were not included in the annual performance report and the municipalities did not maintain the infrastructure, resulting in the non-functionality of the assets.

- The Division of Revenue Act includes a framework and prescribes how conditional grants should be utilised. Our audit revealed that neither the regional bulk infrastructure grant nor the water services infrastructure grant was used for its intended purpose or spent in accordance with the framework. This non-compliance was reported in the audit report of the department, as it relates to indirect grants.
- The department did not adequately review monthly reports from the municipalities, as the monthly statements and the payment schedules differed.

- Six projects (50%) had irregular expenditure amounting to R310 million.
- Six projects (50%) had fruitless and wasteful expenditure amounting to R70 million.

- Five projects (42%) had SCM findings, below are some examples of these findings:



- The appointment of professional service and project management service providers for the **Vaal Gamagara regional water supply scheme** was not in line with the Preferential Procurement Policy Framework Act.
- At the **emergency intervention of Vaal refurbishment WWTP** project, the panel from which the contractors were selected was irregularly constituted. The emergency arose due to municipalities not maintaining the infrastructure and then the department followed an emergency process.
- The department has appointed six suppliers for procurement for **bucket eradication programme** projects since the 2015-16 financial year to date. We selected three suppliers for contract management auditing in 2017-18, and found that an amount of R127 million was irregular expenditure incurred by the department.

PROJECTS AUDITED AND EXAMPLES OF FINDINGS

Mega-regional bulk infrastructure projects



Mthatha KSD bulk water supply (EC)

The completion date was revised when the annual performance plan of the department was adjusted, but this project received a direct grant (regional bulk infrastructure grant through schedule 5B of the Division of Revenue Act). The reported reason for the target not being achieved was budget constraints, although the project is funded by a direct grant transferred in total from the department to municipalities in the year under review. The reason for the variance was therefore not supported by reliable evidence.

Sedibeng bulk regional sewerage programme (GP)

Rand Water is the implementing agent appointed by the department on the programme. This project is currently behind schedule and was not under construction as planned. Rand Water also revised the technical studies on which the designs were based; revised designs thus had to be done for the project. The delay on this programme will have a detrimental impact on service delivery.

Vaal Gamagara regional water supply scheme (NC)

Extensive delays occurred due to the blasting that could not continue in close proximity to houses. In addition, numerous unrealistic claims were received and this was accompanied by demonstrations, unrest and violence in the community. The excavation of hard material and rock had to be continued by hydraulic hammers fitted to the excavators, which was a slow and costly exercise. This resulted in the expected completion date of 3 August 2018 being revised to 30 June 2020.



Bulk raw water projects



Nwamitwa dam (LP)

The budget increased from R1,3 billion to R3,7 billion. This project is deemed irregular as procurement prescripts were not followed by the implementing agent of the department.

Mzimvumbu water project (EC)

The project is currently in the detailed design stage and funding is yet to be secured. The current milestone (namely to have the project under construction) for this project was removed from the revised annual performance plan of the department. Service delivery is negatively affected, raising uncertainty regarding the future availability of water in the affected areas.

Raising of Tzaneen dam wall (LP)

The project was removed from the adjusted annual performance plan of the department. No amount was budgeted for this project in the Medium-term Expenditure Framework for 2018-19 and 2019-20. Service delivery is negatively affected, raising uncertainty regarding the future availability of water in the affected areas.

Raising of Clanwilliam dam (WC)

The project has been put on hold due to the unavailability of funds and the target was removed from the revised annual performance plan of the department.

Raising of Hazelmere dam (KZN)

The project was planned to be completed by year-end, but due to electronic sensors for inclusion in the infrastructure not having been delivered on site, the project is on hold by the department.

Sanitation projects



Bucket eradication programme

(regional bulk infrastructure grant and water services infrastructure grant)

For the 2017-18 financial year, no specific budget was allocated to this programme and it was funded through the mentioned grants. Some of the expenditure on this programme resulted in unauthorised expenditure.

Other projects



Emergency intervention of Vaal refurbishment WWTP project (GP)

The department paid R320 million for 24 plants to be refurbished. However, due to it being an emergency, the department did not enter into an agreement with the relevant water service authorities to ensure that the assets continued to be maintained, resulting in some of the refurbished assets again not working after six months.

Mopani emergency project (LP)

The project was not budgeted for in 2016-17 and 2017-18 and was not included in the department's annual performance plan, even though it had been ongoing for a number of years. To date, R390 million had been spent on the project, with R26,9 million being spent in the current year. The project was placed on hold in the previous year due to a lack of funding; the current expenditure related to labourers being paid while the contract was on hold – resulting in fruitless and wasteful expenditure.

Desalination plant for the City of Cape Town (WC)

(included in infrastructure list in annual performance plan)

Although the project was included in the infrastructure list as directed by the minister on 11 December 2017, the decision was withdrawn by the minister on 14 June 2018.

IMPLEMENTATION OF PREVIOUS COMMITMENTS

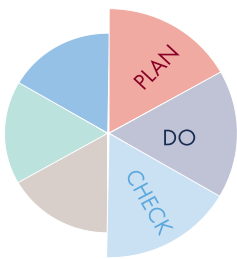
The portfolio committee committed in 2016-17 to increase oversight and monitoring by requesting the department to report quarterly on the audit action plan, status of project management and control of key infrastructure projects – including those implemented by agents. The committee also planned to monitor the follow-up of, and actions taken against, those responsible for irregular as well as fruitless and wasteful expenditure.

During 2017-18, a joint committee was established between the Standing Committee on Public Accounts and the portfolio committee, which held numerous meetings with the department and other stakeholders. This increased the oversight and monitoring of progress by the department against the action plan, along with the monitoring of the follow-up of actions relating to irregular as well as fruitless and wasteful expenditure.

RECOMMENDATIONS

- There is an urgent need for the department to address the leadership, engineering and project management capabilities required. A director-general should also be appointed to ensure leadership stability.
- The department should ensure that effective and comprehensive policies and procedures are implemented and enforced relating to project management and implementing agents.

CONCLUSION



The programme did not achieve its targets in spite of all the money allocated having been spent. Our audits showed poor planning, inadequate financial management, and a serious breakdown in controls. The inadequate monitoring by all role players involved and the lack of accountability and consequences created an environment conducive to service delivery failure and possible corruption.



VOTE 11 – DEPARTMENT OF PUBLIC WORKS

PROGRAMME 3: EXPANDED PUBLIC WORKS PROGRAMME



PROGRAMME PURPOSE

Coordinate the implementation of the EPWP, which aims to create work opportunities and provide training for unskilled, marginalised and unemployed people in South Africa.

OBJECTIVES OF PROGRAMME

- Monitor and evaluate the implementation of public employment programmes within the EPWP over the medium term by:
 - monitoring and reporting on 4,3 million work opportunities created by public bodies implementing the EPWP
 - producing six data quality assessment reports.
- Support public bodies implementing public employment programmes in the non-state sector by contracting 400 non-profit organisations to implement non-state sector projects over the medium term.
- Support public bodies to implement public employment programmes within the EPWP in the infrastructure, social and environment, and culture sectors by ensuring that 290 public bodies are provided with technical support over the medium term.
- Provide strategic guidance on sectoral convergence through the development of implementation frameworks by developing three frameworks on sectoral convergence over the medium term.

MTSF OUTCOME SUPPORTED BY PROGRAMME

Decent employment through inclusive growth.

PERFORMANCE OF PROGRAMME

Key targets planned for 2017-18	Achievement reported	Reliable?	Department's reasons for not achieving targets
Number of work opportunities reported in the EPWP – reporting system by public bodies = 1 406 736 work opportunities <ul style="list-style-type: none"> • Women = 55% • Youth = 55% • Persons with disability = 2% 	900 234 work opportunities Women = 66,5% Youth = 43,8% Persons with disability = 1,3%		Public bodies either did not report or under-reported work opportunities created through own funding. Some key programmes (e.g. community work programme) were not reported on optimally in the EPWP reporting system. Many public bodies did not incorporate EPWP principles during their planning and budgeting processes. Due to a lack of capacity, reporting bodies could not capture data on the EPWP reporting system before the end of the quarter.

■ Achieved ■ Not achieved

PERFORMANCE PLANNING AND REPORTING FINDINGS

With regard to the delivery over the first four years of the MTSF period, the targeted creation of work opportunities from 2014 to date was 4,9 million work opportunities (6,4 million work opportunities had been planned in total over the five-year MTSF period).

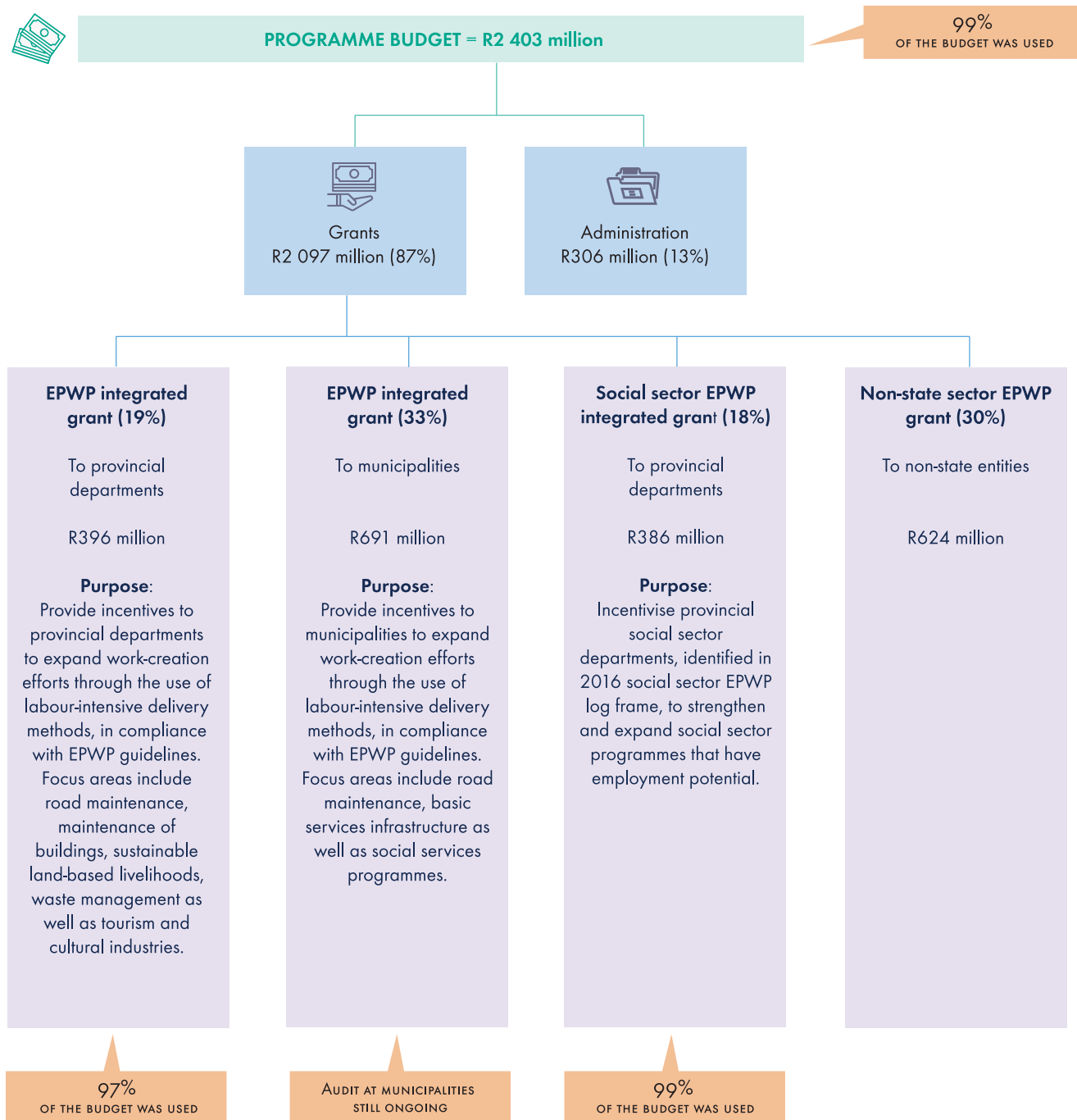
An amount of R7,47 billion was budgeted over this same period. The actual reported achievement from 2014 to date was 3,5 million work opportunities, which equates to a 72% achievement of the target. During this same period, 99% of the budget was spent (R7,39 billion actual spending).



The lack of customised indicators led to misalignment between the national department and the provincial departments, as the national department reported on 'all work opportunities' while the majority of provinces only reported on 'work opportunities created by provincial public works departments'. In addition, the processes used to collect and monitor information on work opportunities created, were not adequate.

This increased the extent of under-reporting of planned targets in the current period. The material limitations experienced during previous years will also negatively affect the national department's ability to reliably demonstrate the achievement of the set target of 6,4 million work opportunities in total over the five-year MTSF period (2014-19).

SPENDING OF PROGRAMME BUDGET



GRANT MANAGEMENT AND PROJECT FINDINGS

We audited the utilisation of, and projects funded by, the EPWP integrated grant and the social sector EPWP integrated grant as part of our national and provincial audits.

Some of the projects audited

eThekweni community social support programme (KZN)	Setsoto bucket eradication project (FS)	Camdeboo 18001 (EC)	Kareeberg 18001 (NC)	Rustenburg food handlers (NW)
Badimong RWS phase 10 (LP)	Tshau security (MP)	Greyton land reform (WC)	War on waste (EC)	

Underspending of grants by more than 10%

EPWP integrated grant to provinces	Social sector EPWP integrated grant to provinces
<p>Economic Development, Environmental Affairs and Tourism (EC)</p> <p>Education (FS)</p> <p>Public Works and Roads (NW)</p> <p>Transport, Safety and Liaison (NC)</p> <p>Sport, Arts, Culture and Recreation (FS)</p> <p>Reasons for underspending included:</p> <ul style="list-style-type: none"> • Some projects started late • Some contracts were awarded after year-end • Project identified for implementation of EPWP commenced late 	<p>Education (KZN)</p> <p>Reason for underspending:</p> <p>Late payments to food handlers</p>

KEY FINDINGS

- As highlighted in previous years as well, work opportunities reported at these projects were not always supported by reliable supporting evidence, such as identity documents, attendance registers, and proof of payments.
- Beneficiaries who did not participate in the projects were reported in the current financial year.
- Not all work opportunities created, were reported – resulting in under-reporting.
- Some beneficiaries were persons of a pensionable age. Providing them with jobs does not reduce the rate of unemployment as defined. This also denies unemployed people the opportunity to earn money and acquire skills for future employment.
- Formal training was not provided to beneficiaries at all projects visited. Informal and on-the-job training was not recorded to assist beneficiaries to build work-based portfolios of evidence that could be used for recognition of prior learning, as the department

did not require implementing agencies to plan, monitor and report on both formal and informal training offered to EPWP beneficiaries. The informal nature of the training offered to beneficiaries and the non-recognition of the skills they had acquired in the

home-based care programme resulted in beneficiaries not having evidence of the skills they had attained, which made it difficult for them to enter the formal work environment and – in turn – prevented the intake of new EPWP participants.

IMPLEMENTATION OF PREVIOUS COMMITMENTS

Although the department increased the number of site visits to the recipients of grants, this did not have the desired impact as similar issues recurred. The EPWP grant

template was only amended in the 2018-19 financial year; however, quarterly reports were submitted to the portfolio committee.

RECOMMENDATIONS

- The department must ensure that the EPWP indicator is published in the customised sector document and training is provided on the EPWP procedure manual to all provincial departments to ensure alignment between national, provincial and municipal role players. This will enhance the consistent and complete reporting of work opportunities across the sector and enable accountability.
- The national department in conjunction with provincial departments should obtain a list of municipalities' planned projects intended to create work opportunities at the beginning of the year, and follow up any work opportunities created and not reported on.
- The department should provide guidance and support to its implementing partners on planning, monitoring and reporting beneficiary training, in particular informal training, to ensure that beneficiaries' work experience and acquired skills are recognised.

CONCLUSION



The department did not put in place adequate processes to collect information on and monitor work opportunities created. This made it difficult to conclude on whether the funds earmarked for creating work opportunities were in all instances spent in line with the intended purpose of the grants. Although almost the entire budget was spent, some targets were not achieved.

As a portfolio of evidence was not created for work opportunity beneficiaries, this made it difficult for EPWP beneficiaries to apply for the recognition of prior learning and thus prevented them from entering a formal work environment.



VOTE 38 – DEPARTMENT OF HUMAN SETTLEMENTS

PROGRAMME 4: HOUSING DEVELOPMENT FINANCE



PROGRAMME PURPOSE

To fund the delivery of housing and human settlements programmes, and manage all matters related to improving access to housing finance and developing partnerships with the financial sector.

OBJECTIVES OF PROGRAMME

- Manage the performance of provinces and municipalities by monitoring the expenditure and non-financial performance of human settlements development and housing programmes on a monthly and quarterly basis.
- Accelerate the delivery of housing and human settlements by providing funding from the human settlements development grant, the urban settlements development grant, and transfers to public entities on an ongoing basis.
- Improve access to housing finance by collaborating with the private sector and related entities to develop mechanisms to increase market penetration and provide loans to low- and middle-income households on an ongoing basis.
- Ensure equal access to housing finance through monitoring the lending practices of the financial sector by publishing an annual report on mortgage finance.

MTSF OUTCOME SUPPORTED BY PROGRAMME

Sustainable human settlements and improved quality of household life.

PERFORMANCE OF PROGRAMME

The national department transfers the grant budget for the human settlements development grant and urban settlements development grant in programme 4 to the provinces and metropolitan municipalities for implementation. However, the service delivery indicators and targets achieved based on the use of these grants are consolidated and reported under programmes 2 and 3. The achievement of these targets is shown below:

Key targets planned for 2017-18	Achievement reported	Reliable?	Department's reasons for not achieving targets
Number of households in informal settlements upgraded – 150 000	89 760	(X)	The most common reason was poor performance by provinces
Number of individual units for subsidy housing submarket provided – 112 600	86 131	(X)	
Number of private affordable rental housing opportunities delivered – 7 920	3 506	(X)	
Number of community residential units delivered – 1 915	546	(X)	
Number of non-statutory military veterans housed – 1 700	480	(X)	
Percentage of projects under implementation monitored and verified – 100%	99%	(X)	

Key targets planned for 2017-18	Achievement reported	Reliable?	Department's reasons for not achieving targets
Number of pre- and post-1994 title deeds issued – 327 300	41 841	(X)	The most common reason was poor performance by provinces
Number of title deeds for new subsidy houses issued – 93 200	41 841	(X)	
Number of hectares of well-located land acquired, rezoned and released for new development – 3 000	<p>3 329,446 hectares of well-located land acquired and released for new developments</p> <p>1 574,685 hectares of well-located land rezoned for new developments</p>	(X)	

■ Achieved ■ Not achieved

PERFORMANCE PLANNING AND REPORTING FINDINGS

Although the national department transferred the bulk of the grants to the provinces and metropolitan municipalities, we were unable to conclude on the reliability of the achievements on the consolidated reported performance information. This was due to a lack of consistent processes across the human settlements sector for the collection and reporting of the indicators and targets, which are ultimately consolidated at a national level. As a result of the lack of customisation of indicators between the provinces and the national department, the national department was not able to provide sufficient appropriate evidence to support the consolidated reported performance information, as this information could not be obtained from the provinces.

The human settlements departments were therefore unable to reliably report on their achievement towards their overall mandate of delivering houses.

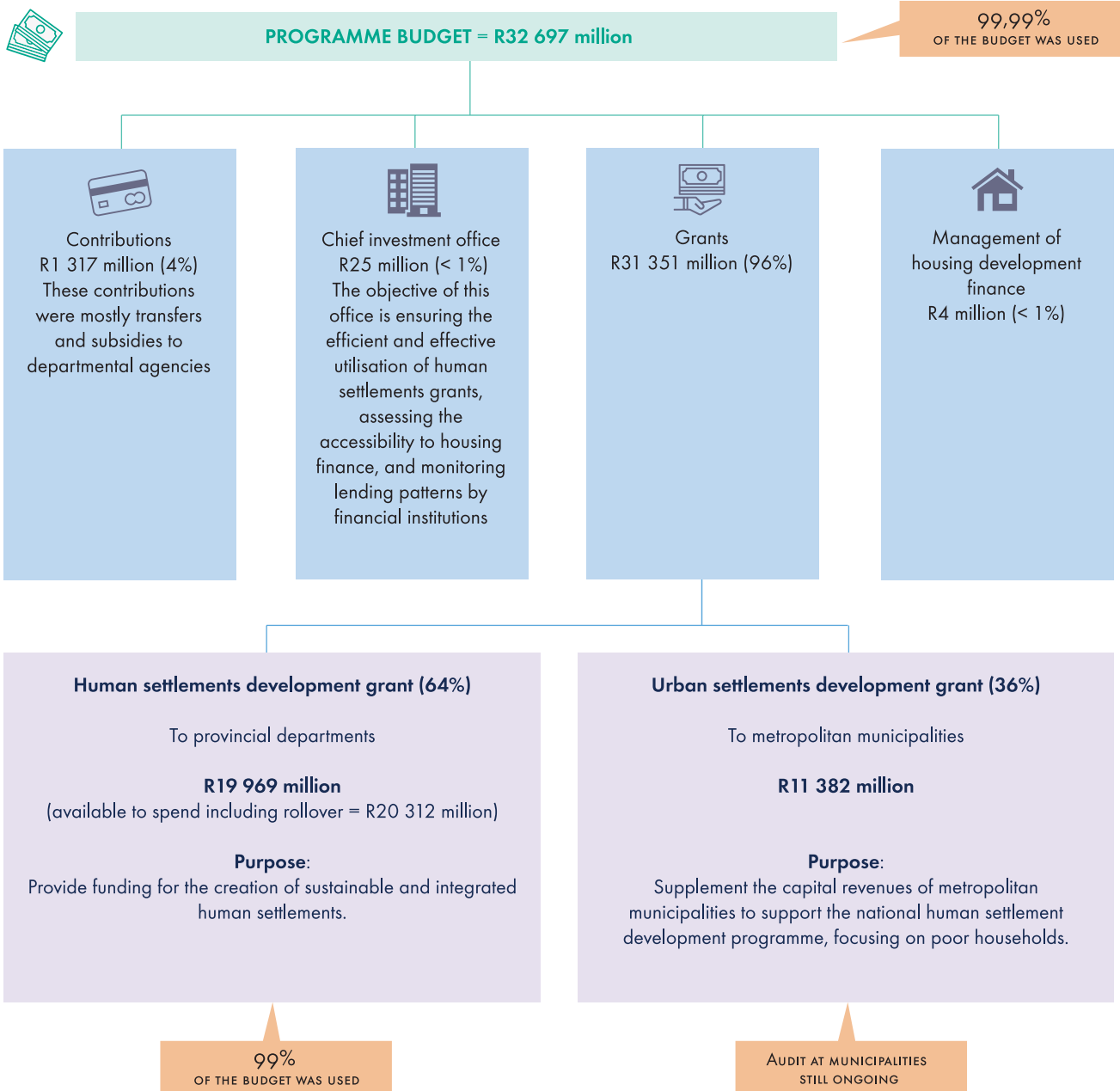
The target 'Number of households benefiting from informal settlements upgraded to level 2 per year' for both the human settlements development grant and the urban settlements development grant since 2014 to the current

year has been estimated to be 545 497 households (a target of 676 604 households upgraded in total over the five-year MTSF period had been set). The actual reported achievement from 2014 to date was only 267 305 households upgraded, which equates to a 49% achievement of the target. The main reasons for the low achievement include the following:

- The majority of informal settlements are located on privately owned land.
- The upgrading of the land on which informal settlements are situated is not feasible because the land is not suitable for human settlement development due to being located in a flood area or because of sinkholes.
- Residents in formal settlements do not qualify under the subsidy housing programme.
- Non-existing bulk services to provide basic services.



SPENDING OF PROGRAMME BUDGET



GRANT MANAGEMENT AND PROJECT FINDINGS

Human settlements development grant

We audited 15 projects as part of the housing development finance programme funded through the human settlements development grant transferred to provinces.

Some of the projects audited

Cala (EC)	Langeni (EC)	Integrated residential development programme (FS)	Riverside View Ext. 28 (GP)	Vulindlela rural housing (EPHP) (Ithala) (KZN)	Bamboo Rock / Ebalenhle (MP)
Lerato Park 362 project (NC)	Marang Estate developers (NW)	Forest Village (WC)	Joe Slovo (WC)	Polokwane Local Municipality within Capricorn District Municipality (LP)	

KEY FINDINGS

- We found the following with regard to **spending**:

- There was significant underspending of the multi-year budget on one project in the Northern Cape, due to a lack of proper project management and monitoring.
- In Gauteng, there was overspending on one project due to delays on the project, which meant that the project budget had to be increased.

- **Project delays** were experienced in seven of the nine provinces, namely Eastern Cape, KwaZulu-Natal, Western Cape, Free State, Gauteng, Mpumalanga and North West. The delays were caused by inappropriate project management as well as planning requirements that were not uniformly implemented. This resulted in negative performance outcomes in relation to the management and monitoring of construction schedules and budgets.

- The grant was not spent **in accordance with the grant framework** on bulk infrastructure in Gauteng. The provincial department transferred funds for projects to the Gauteng Partnership Fund and the Housing Development Agency. However, this was not approved by the National Treasury, in line with the Division of Revenue Act requirements. The incorrect spending and transfer of grant funds resulted in further **irregular expenditure of R61 million**.

- Four projects (27%) audited at the Free State and Mpumalanga departments had SCM findings, as the Preferential Procurement Regulations were not properly applied in the advertisement and evaluation of bids, resulting in **irregular expenditure of R93 million**. In addition, the database from which a supplier was selected did not comply with treasury regulation 16A3.2, resulting in **irregular expenditure of R13,8 million**.

- We reported findings on **possible fraud** at one project in Gauteng, where a double payment was made.

- We identified problems with the **quality of the work done** on nine projects (60%), as a result of inadequate project management and poor workmanship by the contractors. Below are some examples and photos of the defects:

- Eastern Cape: cracks and settling of tank stands; ridge tiles not properly installed; and doors in a poor condition or not fully painted.
- Mpumalanga: poorly compacted platforms; incomplete concrete slab and foundation; inconsistent size of joints; leaking roof, basin, toilet and sink; broken door hinges; incomplete ceiling; and sewage spillage.

EASTERN CAPE - Langeni housing project



Door in poor condition



Door not fully painted

MPUMALANGA - Bamboo Rock / Ebalenhle



Inconsistent joints



Incomplete concrete slab and foundation

Urban settlements development grant

At the date of this report, we were still busy with the audit of this grant provided to metropolitan municipalities in 2017-18, and will report the findings

from our 2017-18 audit in the following general report on local government. Below, we reflect on the key findings reported in the 2016-17 local government general report.

KEY FINDINGS FROM OUR 2016-17 AUDIT AT METROPOLITAN MUNICIPALITIES

- A total of 23% of the projects tested did not achieve their targets due to delays caused by poor planning; suppliers being paid late or not at all; and stands on unsuitable land that had to be abandoned.
- The expenditure of 17% (5 out of 30) of the selected projects in Buffalo City (two projects) and Nelson Mandela Bay (three projects) was not correctly accounted for in the financial statements of the municipalities, as expenditure was capitalised into assets.
- Two municipalities (City of Johannesburg and Mangaung) underspent their allocation by more than 10% due to contractual issues with suppliers; the late delivery of supplies and poor performance by contractors; stoppages by small, medium and micro-sized enterprises; and delays in the appointment of contractors.

IMPLEMENTATION OF PREVIOUS COMMITMENTS

The director-general committed to initiate a process of implementing customised indicators for the human settlements development grant. However, the department did not initiate such a process for the 2017-18 year.

RECOMMENDATIONS

- The national department is responsible for monitoring and consolidating the performance information produced by its provincial counterparts and the metropolitan municipalities, and uses this information to evaluate the overall service delivery within the housing sector. The national department should therefore ensure that customised indicators are developed and that controls, systems and templates are standardised to ensure that evidence is collected consistently to verify achievements against the relevant supporting evidence.
- A greater oversight role should be considered in Gauteng, the Free State, the Eastern Cape and Mpumalanga, as we raised repeat findings in these provinces.
- More suitably qualified project managers should be appointed to consistently monitor progress, thereby reducing the recurring problem of project delays, as well as quality defects.
- Furthermore, the departments should ensure greater effectiveness in their planning and budgeting processes to avoid budget shortfalls during the project life cycle. Project teams should ensure that the performance measures in contracts with service providers are implemented and that remedial action is taken timeously where necessary.

CONCLUSION



Although the national department transferred the bulk of the grants to the provinces and metropolitan municipalities, we were unable to conclude on the reliability of the achievements on the consolidated reported performance information. This was because of a lack of customised indicators between the provinces and the national department, resulting in the national department not being provided with sufficient supporting evidence by the provinces and metropolitan municipalities. We also identified this to be the root cause of the national department's inability to accurately report on the title deeds register to transfer ownership to qualifying individuals. In addition, we noted inadequate project management, non-compliance with procurement legislation, quality defects as well as inadequate oversight in some provinces

OVERALL CONCLUSION

In total, 98% of the R47 945 million budget allocated to deliver on the water infrastructure development, housing development finance and expanded public works programmes were spent in 2017-18. However, departments achieved only 12% of the related targets included in this report. Public Works and Human Settlements were not able to report in a reliable manner on the performance of their programmes, as information on the achievement by the projects funded at provincial and municipal level was not always gathered in a consistent manner or was not credible. This will make it difficult for government to assess whether the intended targets of these programmes were achieved over the five-year MTSF term.

Irregularities in the procurement processes and inadequate contract management were recurring findings on the water and housing infrastructure projects. Some of the projects displayed serious weaknesses in terms of delayed delivery, poor quality work, waste and mismanagement.

The commitments made by all three departments and their portfolio committees to address these weaknesses, which we also highlighted in the previous year, were not honoured – the water infrastructure development programme in particular showed little improvement.

The following were the main reasons for the inadequate performance on these programmes at the national departments and the provincial departments that received the grants:



Poor planning (including budgeting and setting realistic targets) (**PLAN**).

Project as well as financial and performance management that did not provide for the disciplined and controlled implementation of projects and the credible monitoring and reporting of financial and non-financial information (**DO**).

Inadequate monitoring of projects and grants (**CHECK**).

Lack of corrective action to address project failures and SCM irregularities (**ACT**).

The fact that the previous year's commitments were not honoured had a negative impact on service delivery. The ideals of the National Development Plan and sustainable development goals (such as alleviating poverty, providing access to clean water and sanitation, enabling decent employment and economic growth) will continue to remain out of reach if these departments and oversight committees do not honour their commitments (**IMPACT**).

