

// SECTION 5



*Management and delivery
of key programmes*

INTRODUCTION

In 2017-18, 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 2018-19, we were again guided by the government priorities included in various strategic documents such as the National Development Plan and the Medium-term Strategic Framework (shortened to MTSF in this section) 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 assessing 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 five key programmes that we audited – all of which have a significant impact on the achievement of government priorities:

- Education school infrastructure (accelerated school infrastructure delivery initiative and education infrastructure grant)
- District health services (HIV and Aids, tuberculosis and maternal and child health)
- Expanded public works programme (shortened to EPWP in this section)
- Housing development finance
- Water infrastructure development

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 programme **purpose/objective** and outcome related to the MTSF.
- Key observations on the **programme performance**, including how much of the programme **budget** was spent, and whether key performance indicators and **targets were achieved and reported reliably**.
- 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.
- **Key findings and service delivery challenges** identified on the programme and/or related projects that we audited.
- An assessment of the **impact of the findings identified**.
- **Recommendations** for improvement and a **call to leadership to act**.

DEPARTMENT OF BASIC EDUCATION

EDUCATION SCHOOL INFRASTRUCTURE (ACCELERATED SCHOOL INFRASTRUCTURE DELIVERY INITIATIVE AND EDUCATION INFRASTRUCTURE GRANT)



PROGRAMME PURPOSE AND MTSF OUTCOME

The education sector aims to improve the quality of teaching and learning through, amongst others, providing sustainable school infrastructure. This programme supports MTSF outcome 1 relating to quality basic education by improving the quality of teaching and learning through the provisioning of infrastructure.

This is achieved through two main education infrastructure initiatives over the medium-term, namely the accelerated school infrastructure delivery initiative and the education infrastructure grant.

The national department is responsible for the infrastructure development projects funded as part of the **accelerated school infrastructure delivery initiative**, with the aim of eradicating the basic safety

norms backlog in schools without water, sanitation and electricity; and replacing those schools constructed from inappropriate material such as mud and asbestos to contribute towards levels of optimum learning and teaching.

The provincial education departments are responsible for the infrastructure-related projects funded as part of the **education infrastructure grant**. The purpose of the grant is to help accelerate the construction, maintenance, upgrading and rehabilitation of new and existing infrastructure in education, including district and circuit accommodation; enhance capacity to deliver infrastructure in education; and address the achievement of targets set out in the minimum norms and standards for school infrastructure.

PROGRAMME PERFORMANCE OVER FIVE YEARS

The infrastructure programme overall did not fully achieve the set targets as included in the detailed annual performance plans, to allow the implementation of strategic goals and objectives.

For the five financial years up to 2018-19, the infrastructure budget was R58,4 billion, made up of R10,2 billion for the accelerated school infrastructure delivery initiative and R48,2 billion for the education infrastructure grant. In spite of **94%** of the R58,4 billion budget allocated to deliver on education school infrastructure development **having been spent** over

this period, overall the departments only **achieved 67% of the related planned targets** (accelerated school infrastructure delivery initiative: 23% and education infrastructure grant: 70%). The 23% relating to the accelerated school infrastructure delivery initiative is based on the planned targets and achievement for only 2016-17, 2017-18 and 2018-19, as the performance for 2014-15 and 2015-16 was not identifiable from the department's annual performance reports. However, the percentage includes the 2014-15 performance for the target of new schools built and completed through the accelerated school infrastructure delivery initiative.

Key delivery challenges relating to infrastructure projects affecting the achievement of targets

Over the past five years, we identified significant internal control deficiencies that led to repeat findings related to the **poor monitoring of projects, project delays as well as the poor quality of work** – as detailed in the graphics below. In some instances, these internal control deficiencies resulted in payments to suppliers being in excess of the budgeted costs for the projects.

Project monitoring



Progress on certain projects was not regularly monitored, which affected the quality of work performed by contractors.

Some of the departments did not make timely payments to contractors in line with the progress made on projects. Late payments to contractors exposed the departments to the risk of fruitless and wasteful expenditure because of interest, penalties and paying for standing time.

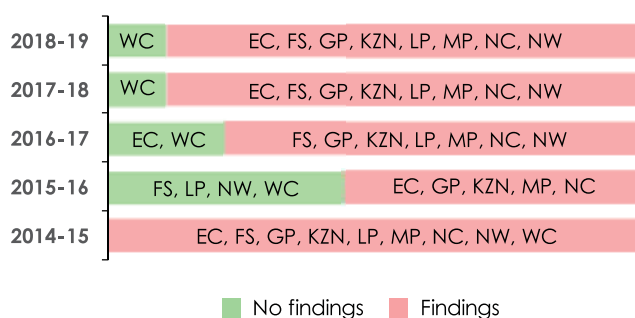


Project delays



Delays in completing projects in provinces were due to either departments' or contractors' inefficiencies. These delays invariably resulted in cost increases. Actions were not taken against contractors and professional teams to address slow progress. Some of the delays were due to inadequate planning and project management processes, prolonged procurement processes, and poor contractor performance. The widespread lack of consequences made the situation even worse.

Project quality



Poor workmanship was evident at most provincial projects visited, largely due to the poor quality not being addressed by contractors or professional teams. As departments did not adequately monitor, manage and supervise these projects, actions were not being taken to remedy the poor quality.

The repeat findings were due to departments not effecting consequences, which would have promoted accountability and resulted in the professional teams effectively managing and monitoring work performed by the contractors and invoking professional liability provisions where it could be demonstrated that the professionals involved were in default.

Maintenance needs were identified at various facilities visited due to the following:

- Lack of ongoing maintenance as a result of ineffective condition assessments at certain facilities.
- No evidence that conditional assessments were conducted in some instances.
- Ineffective monitoring of the maintenance budget in certain provinces.

Consequently, certain departments did not fully utilise the provided infrastructure.

Impact on service delivery

The following are examples of the poor quality on projects:



New toilets not connected to reticulation system



Blocked toilets and ceiling close to collapsing



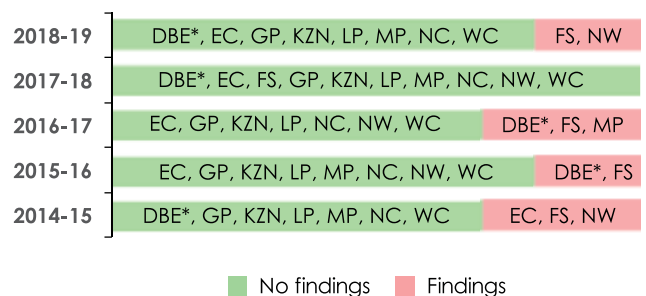
Bricks fallen from edge arch

Conditional grant funding and compliance with legislation

Some departments **underspent their budgets by more than 10%** due to, amongst others, investigations resulting in projects being delayed (Free State), slow movement of projects (national department and Free State), implementing agents not carrying out some of the planned infrastructure projects (North West), and delays in appointing contractors (national department, Mpumalanga, North West and Free State).

Money was used in accordance with the grant framework except in the Free State. However, the many supply chain management non-compliance findings on a number of projects indicated that **supply chain management prescripts were not adhered to.**

Grant underspending (> 10%)



■ No findings ■ Findings

*DBE - Department of Basic Education

Grant framework compliance



■ No findings ■ Findings

*DBE - Department of Basic Education

The national department entered into contracts with implementing agents to construct most of the capital infrastructure. These implementing agents were expected to follow procurement processes and manage contracts in compliance with the same legislation to which the department is subjected, as they manage these projects on the department's behalf. We identified various instances where this **legislation was contravened, which resulted in irregular expenditure**. 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. At seven of the 13 key accelerated school infrastructure delivery initiative projects tested in 2018-19, we identified uncompetitive and unfair procurement processes relating to the procurement of goods and services for the project.

In the Eastern Cape, Northern Cape, Free State, Gauteng and KwaZulu-Natal, we identified non-compliance in the procurement of goods and services on projects in 2018-19.

The national department incurred fruitless and wasteful expenditure due to inadequate planning before handing over the site to the contractor, resulting in additional costs of R1,952 million and interest of R0,495 million being charged due to the late payment of contractors. In KwaZulu-Natal, fruitless and wasteful expenditure of R16,2 million was incurred on two projects, of which R10,1 million related to the re-establishment of the site after the contractor suspended construction due to late payment by the department, and R6,1 million related to payments to a replacement contractor to complete work for which the original contractors had already been paid.

Reasons provided by the departments for underachieving over the past five years included poor contract management by implementing agents who could not identify poor-performing contractors, contractors with cash-flow problems for materials delaying the implementation of projects, unreliable water and electricity in the areas where schools were located, closure of sites by concerned groups of contractors, and professional service providers demanding that they be awarded some of the projects.

Impact analysis

Our audits over the five-year period showed that poor planning, inadequate and non-compliant procurement and contract management practices, a lack of credible reporting, inadequate monitoring by all role players involved, and a lack of accountability and consequences made it difficult for key deliverables to be achieved.

Over the years we reported the deficiencies and the leadership made commitments to address them, but some of these commitments have not been fully honoured.

Call to action

The lack of **monitoring and evaluation processes** in infrastructure projects should be remedied to ensure that projects are completed within their agreed time frames and budgets. Dedicated staff should **frequently monitor and report** on the performance of contractors of the various infrastructure projects across all phases of construction, to prevent or detect the risks that delay and hamper service delivery and to implement timeous corrective measures when needed. This will ensure a sound control environment.

A comprehensive **project commissioning plan** must be compiled by the accounting officers and revised regularly to respond to changes that may have occurred.

A **culture of accountability** by those charged with leadership responsibility should be instilled within the departments. This can be achieved by ensuring that oversight appropriately measures the performance of leadership and effectively enforces **consequences** for non-performance.

DEPARTMENT OF HEALTH

DISTRICT HEALTH SERVICES (HIV AND AIDS, TUBERCULOSIS AND MATERNAL AND CHILD HEALTH)



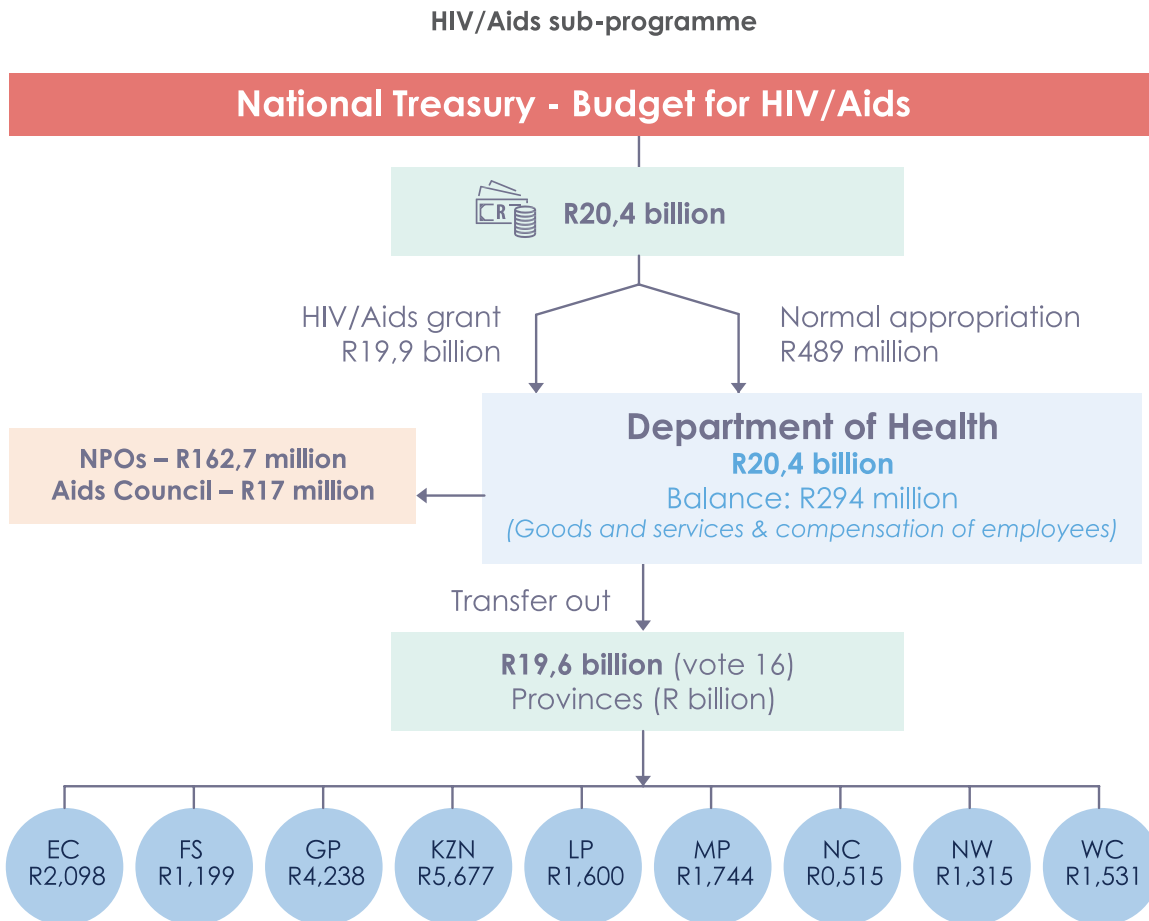
PROGRAMME PURPOSE AND MTSF OUTCOME

The purpose of the programme is to develop national policies, guidelines, norms and standards as well as targets to decrease the burden of disease related to the HIV and TB epidemics; support the implementation of these; and monitor and evaluate their impact. The programme's objectives are to reduce the rate of mother-to-child transmissions, increase the life expectancy of people living with HIV, and reduce new infections.

The programme supports outcome 2, sub-outcome 8 of the MTSF regarding a long and healthy life for all

South Africans and the prevention and successful management of HIV/Aids and TB.

The programme had a budget allocation of R20,7 billion (2017-18: R18,3 billion) and consists of the sub-programmes of programme management, HIV and Aids, TB, women's maternal and reproductive health as well as child, youth and school health. We selected the sub-programme HIV and Aids for testing, which had a budget allocation of R20,4 billion (2017-18: R18,0 billion).

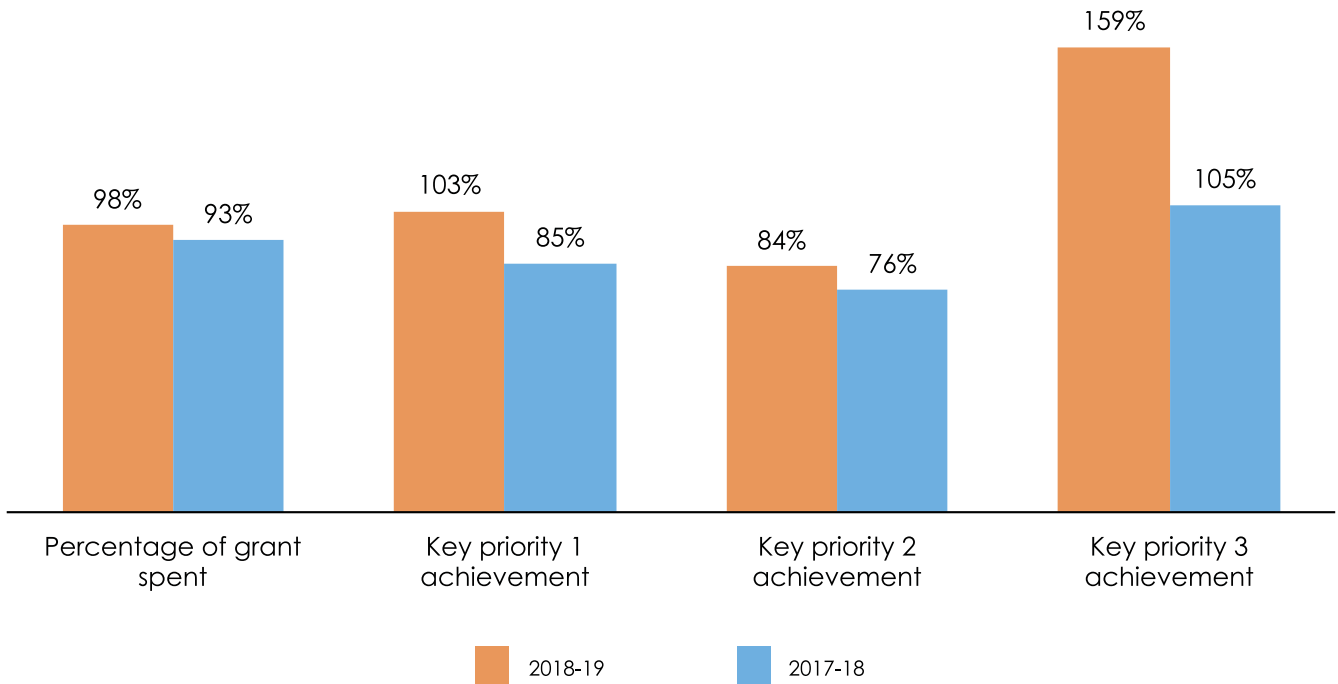


PROGRAMME PERFORMANCE OVER TWO YEARS

Grant spending against actual achievement

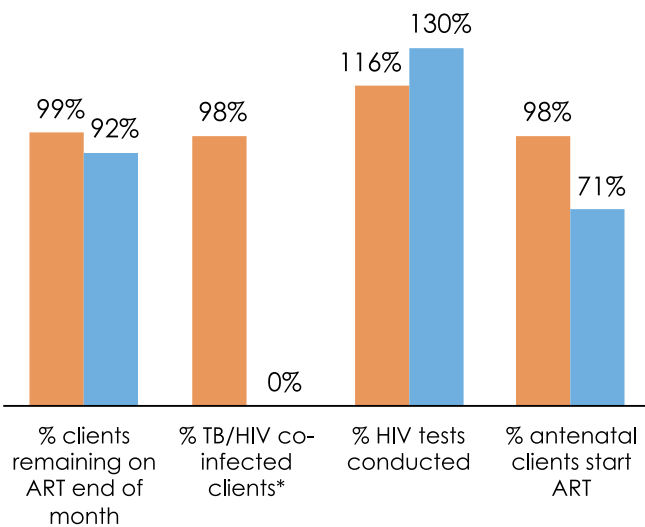
The figure below compares the spending of the grant against the budget and indicates the average percentage achievement per key priority for 2017-18 and 2018-19:

Comparison of spending versus delivery of key priorities

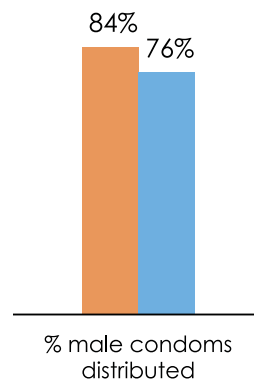


The following figures further depict that a number of **the scoped-in indicators were not achieved, despite departments using almost the entire budget**. The overall performance does, however, indicate a slight improvement across the indicators when compared to the previous year.

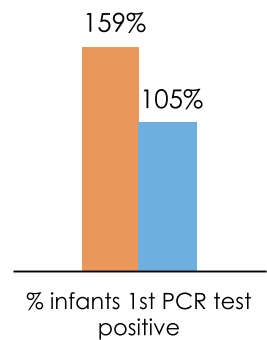
Achievement of indicators: key priority 1 (patients initiated and remaining on antiretroviral treatment)



Achievement of indicators: key priority 2 (condoms distributed)



Achievement of indicators: key priority 3 (prevention of mother-to-child transmission)



* Indicator not tested in 2017-18

The following are some of the **root causes** of non-achievement or **best practices** for achievement or overachievement:

- Non-achievement of key priority 1: Mainly due to patients who started the treatment not returning to facilities for continued treatment, resulting in the treatment service cycle not being delivered as intended.
- Non-achievement of key priority 2: None of the provincial departments, with the exception of Gauteng, achieved their planned targets,

mainly due to delayed delivery by suppliers as a result of quality assurance processes taking longer than expected and a lack of distributors across all provinces to meet the current demand.



- Overachievement of key priority 3: All provinces either achieved or exceeded their planned targets, due to training for clinicians at facilities as well as improved adherence to antiretroviral treatment by mothers.

Credibility of performance reports

We **could not confirm if the sector had met its targets**, as we could not determine the accuracy of the data reported. This was mainly because of significant deficiencies in the systems and associated internal controls, which resulted in the reported data not being reliable.

We therefore could not confirm whether the reported achievements for all indicators of the selected key priorities were valid, accurate and complete due to limitations caused by the inadequacy or absence of controls over the reporting process. All provinces, except the Western Cape, had material findings on the reliability of the indicators linked to these key priorities.

Conditional grant funding and compliance with legislation

 Key priorities selected for testing	 2018-19 budget vs spending
Key priority 1: Patients initiated and remaining on antiretroviral treatment ▶	Key priority 1: R14 211 million vs spending of R13 823 million (97% spent)
Key priority 2: Condoms distributed ▶	Key priority 2: R492,5 million vs spending of R425,9 million (86% spent)
Key priority 3: Prevention of mother-to-child transmission ▶	Key priority 3: R293,1 million vs spending of R374,4 million (128% spent)
	Transferred to provinces for service delivery: R14,99 billion (100%)

The underspending on key priority 1 of R388 million and on key priority 2 of R66,7 million was re-allocated to the other priorities within the overall HIV and Aids programme.

The grant was not utilised as per the business plan at the provincial health department in Gauteng, resulting in irregular expenditure of R226 million.



Impact analysis

The indicators represent the prevention strategies that departments have designed and implemented to assist in reducing new infections and mother-to-child transmissions and in increasing life expectancy. The non-achievement of the annual targets hampers the effectiveness of these prevention strategies.

In addition, the ineffectiveness of these strategies results in the possibility of new infections increasing and the life expectancy of the people who are currently

living with HIV decreasing, as they might not be receiving the required treatment. New infections place an added burden on the already strained economic resources within the health system, as additional treatment is required. The country's workforce can be negatively affected if people living with HIV that form part of the economically active population do not obtain access to, or remain on, treatment services.

Call to action

Policies and procedures for recording and reporting performance-related information have been approved by the national department and distributed to all provinces for implementation. The internal controls of key reporting systems should be strengthened by effectively **implementing these policies and procedures** across the sector, to ensure that the provinces reliably report data. Consequences also need to be enforced in cases of continued non-implementation of, or non-adherence to, these policies and procedures.

In addition, it is essential that an appropriate information system exists to monitor and measure the performance of the grant. The national department should provide guidance on how to resolve **challenges with the reporting systems** to all provinces that encounter these challenges. Reliable data will assist the planning and budgeting processes to ensure that resources are allocated economically and effectively to the key focus areas of the comprehensive HIV and Aids grant.

Creative and new distribution solutions need to be explored to ensure that male condoms of the correct quality are readily and timeously distributed, to ensure the effectiveness of this critical prevention strategy. Where suppliers are not performing in terms of the requirements of their contractual agreements to deliver the required number of male condoms, in the stipulated time frames and of the appropriate quality, non-performance clauses should be enforced.

The sector needs to continue leveraging the good work conducted on awareness campaigns, which has resulted in increased testing for HIV, by also creating awareness of the critical importance for people living with HIV to remain on their treatment.

DEPARTMENT OF PUBLIC WORKS

EXPANDED PUBLIC WORKS PROGRAMME



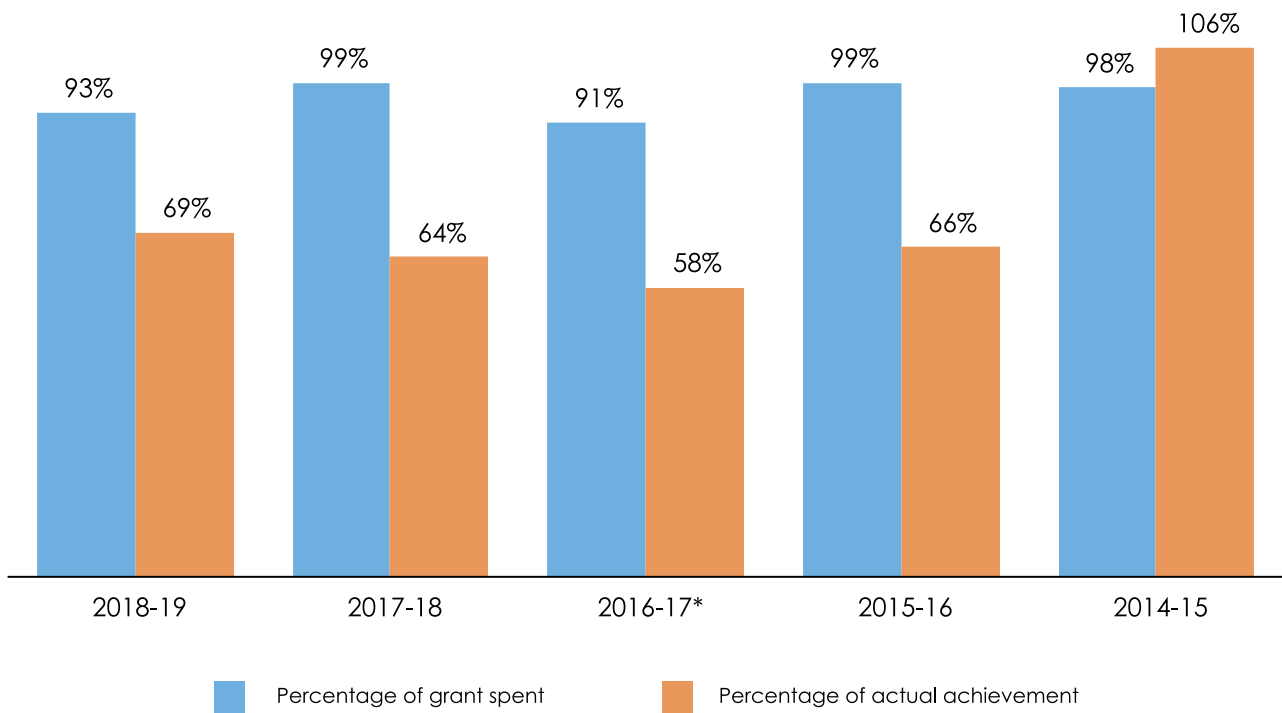
PROGRAMME PURPOSE AND MTSF OUTCOME

To create work opportunities and provide training for unskilled, marginalised and unemployed people in South Africa in support of MTSF outcome 4 relating to decent employment through inclusive growth.

PROGRAMME PERFORMANCE OVER FIVE YEARS

Grant spending against actual achievement

Percentage spending and achievement of key delivery target



* Indicator was not included in 2016-17 annual performance plan and thus not audited

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While the department spent 96% of the allocated budget (R9,317 billion of the budget of R9,711 billion) over the MTSF period, only 71% of the targeted number of work opportunities (4,5 million of the target of 6,4 million) was created over the period. There is no clear correlation between the budget that was substantially spent and the actual achievement, considering that the achievement could not be verified.

Key issues identified over MTSF period

Lack of customised indicators for all public bodies (departments and municipalities) who receive the EPWP grant for the creation of work opportunities to enable standardised reporting and consistent accountability on all work opportunities created.

- **Insufficient grant conditions and guidance** to all public bodies to enable the consistent collation of evidence for all work opportunities created
- **Inadequate systems, monitoring and reviews** regarding the reporting of work opportunities created by public bodies

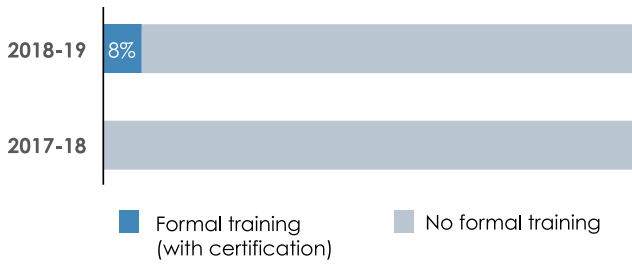
The number of work opportunities created is **misstated** due to the following:

The reported number is therefore not credible as it was not adequately supported by reliable evidence.



Key service delivery matters

Percentage of projects with formal training



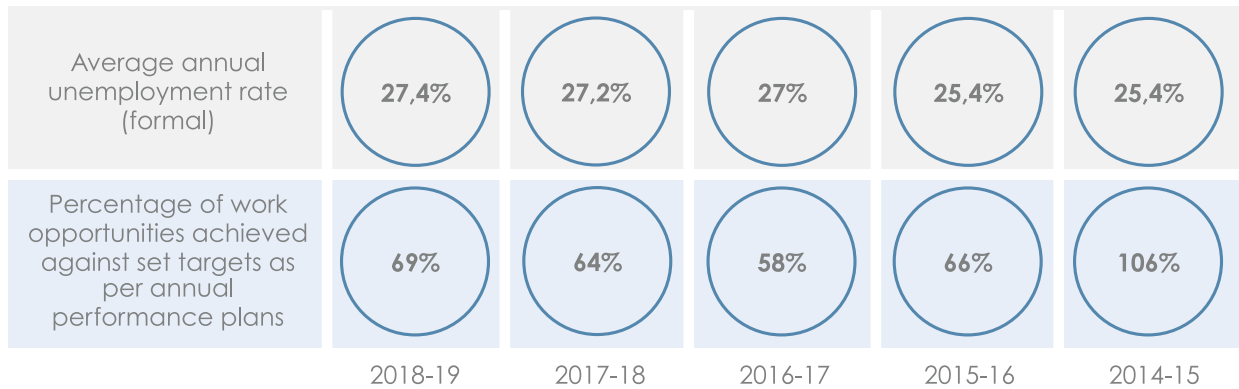
There was not enough focus on the provision of formal training through this programme, as only 8% of formal training was provided

Over the past two years, **very limited certified formal training** was provided to beneficiaries enrolled, as outlined in the strategic documents of the national department. Consequently, the upskilling and empowerment of participants were not prioritised to ensure that they were capacitated to exit the

programme and enter into permanent employment. While some beneficiaries might have gotten on-the-job training and experience, this was not verifiable as no portfolio of evidence or certification process was in place, due to management not sufficiently prioritising this to ensure formal training with certification.

Impact analysis

An analysis of the unemployment rate against work opportunities created over the MTSF term is shown below:



EPWP workers on site

The objective of the EPWP is to create work opportunities. In its nature, it is informal and temporary to alleviate the poverty of the marginalised. These work opportunities are not intended to be permanent.

The national department should enhance its efforts in managing the EPWP. If the programme is not appropriately managed, current participants will remain on the programme with no rotation – creating a barrier for others to participate and to be upskilled. It is a key government programme and, if managed better, will upskill and empower participants so that they can be absorbed by the market. If the programme works as intended, it has the potential to alleviate poverty and decrease the country's unemployment rate.

The **insufficient impact as well as the unverifiable reporting** was due to a lack of consistent indicators for all public bodies across the three spheres of government who receive EPWP funding. This was made worse by a system that did not reliably and consistently collect information on all work opportunities created as well as insufficient oversight to ensure accurate and complete information on all work opportunities created in government through the EPWP grant.

Implementation of previous commitments

Although the department rolled out the standard operating procedure to the recipients of grants as per our prior recommendations, most of our

other recommendations were not implemented. Consequently, the desired impact was not realised as similar issues recurred.

Call to action



To national Department of Public Works and all public bodies

- Formalise the EPWP indicator as a customised indicator by publishing it in the MTSF for all public bodies. The institutions concerned can then be required to account for the number of work opportunities created for all grant money allocated.
- The department should provide guidance to all public bodies receiving EPWP funding and implement requirements that should be monitored more carefully to further ensure the consistency, accuracy and completeness of work opportunities created across all three spheres of government.
- The provision of formal training and certification of participants should be enhanced and prioritised in strategic planning documents.



To oversight bodies

- National and provincial oversight bodies and legislative structures should influence and insist on the inclusion of customised indicators in the annual performance plans of the institutions within their jurisdiction to enable credible reporting and accountability.
- The portfolio committee should request quarterly feedback on the analysis of grant spending against the achieved targets, and hold the department accountable for any misalignment.



DEPARTMENT OF HUMAN SETTLEMENTS

HOUSING DEVELOPMENT FINANCE



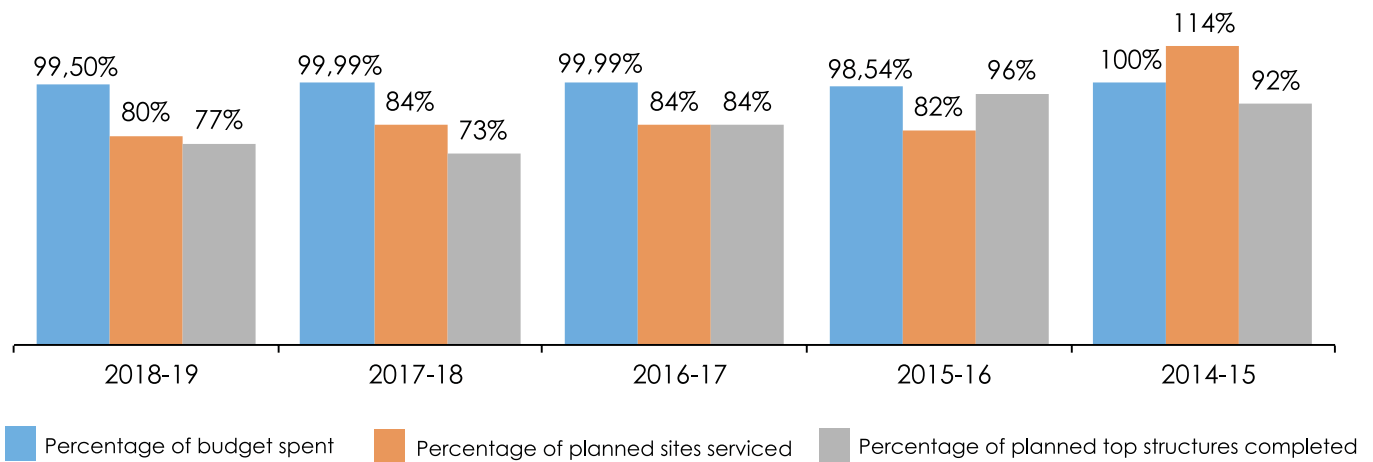
PROGRAMME PURPOSE AND MTSF OUTCOME

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. The programme supports outcome 8 of the MTSF relating to sustainable human settlements and improved quality of household life.

PROGRAMME PERFORMANCE OVER FIVE YEARS

Grant spending against actual achievement

Percentage spending and achievement of key delivery targets



The programme budget over five years amounted to R153 billion and the sector (which includes national, provincial and local government) spent 99,6% of this allocation. The actual reported achievement from 2014 to date was 449 873 out of 533 489 (84%) for top structures completed; and 256 482 out of 294 406 (87%) for serviced sites.

Key issues identified over MTSF period

Lack of customised and consistent indicators to ensure uniformity in reporting on achievements and accountability across the sector.

Reported numbers not supported by credible evidence due to **inadequate planning and monitoring**.

Key service delivery matters

Despite the investment made in the sector, we identified the following key findings on projects funded through the **human settlements development grant and the urban settlements development grant**:



Poor quality of houses built by contractors was evident during site visits to key projects. Consequences were not adequately instituted by provincial and local government.



Significant delays in delivery against project schedules with an average delay period of 24 months.



Project management by relevant public bodies and contractors was not adequate, resulting in additional costs being incurred and contributing to poor quality and significant delays in housing delivery.



Lack of participation of all relevant sector departments and stakeholders to support the achievement of government priorities through planning, customised indicators, coordination and monitoring.

Impact on service delivery



An example of poor-quality workmanship can be seen on a project in Umlazi infill, part 4, phases 1 and 2 (KwaZulu-Natal).

The picture on the left is a house in its final stages where the brickwork finish illustrates the poor standard in various sections throughout the house.

This is a general occurrence across the projects visited in all nine provinces. Other common deficiencies included the following:

- Roof tiles around the edges were inadequately aligned, which could result in rainwater leaking into houses.
- No mortar was used between bricks.
- Leaking toilet connections.

Impact analysis

The following targets were set for the sector during the MTSF period:

Indicator	Overall assessment	Planned target	Output	Backlog
Number of top structures completed	Not achieved	533 489	449 873	83 616
Number of sites serviced	Not achieved	294 406	256 143	38 263
Number of title deeds registered	Not achieved	963 101	275 587	687 514



Due to a lack of planning and coordination across all three spheres of government, together with a lack of monitoring and consistent reporting, the sector reported that it only achieved 84% of its targeted housing infrastructure. Thus, **a backlog of 16% was created over the five-year period.** This is equivalent to the average annual planned delivery for the sector of 83 616 top structures and 38 263 serviced sites. Yet the current population in need of housing is growing rapidly, which further increases the need for housing development finance. With the growing rate of unemployment, urbanisation and beneficiaries of low-cost houses, government might find it difficult to meet expectations. Furthermore, an additional average annual allocation of approximately R31 billion will have to be made available to eradicate the backlog, thus causing further strain on government's purse and, most importantly, continuing to marginalise some South African families and communities.

Additionally, significant delays and quality issues during the past period added to the service delivery backlogs. This can result in possible financial losses, as

defects must first be corrected before beneficiaries can receive their houses.

The human settlements department in the Free State was part of our phased-in approach of the amendments to the Public Audit Act. We identified and reported material irregularities relating to, amongst others, overpayments (refer to section 3 for more detail in this regard). If the overpayments are not recovered, they are likely to result in material financial losses.

Despite government's focus on the registration of title deeds and the eradication of backlogs, targets and indicators relevant to measure performance against this priority were not always included in the planning documents of the national department as well as all sector departments, public bodies and other critical role players. This resulted in **government not being able to reliably report on performance** against this priority during the period. In addition, the planned targets as reflected in some of the annual plans during the period were not achieved, further contributing to the growing backlog.

Implementation of previous commitments

The commitment by the national department to develop a process to report on customised indicators for the human settlements development grant

consistently within the sector was not implemented over the MTSF period.

Call to action



To national Department of Human Settlements

- Better coordinate planning and reporting across the sector, by ensuring that the planned performance of the national department and its grant beneficiaries is customised in the respective annual performance plans and annual performance reports, thereby improving the usefulness and reliability of reported performance against predetermined objectives.
- Ensure that all targets and indicators needed to measure performance against government priorities (such as the title deeds restoration) are included in the planning documents of all relevant sector departments and public bodies.
- Increase oversight of the provincial departments' project and quality management processes to enable them to hold the National Home Builders Registration Council, public bodies and any other key role players accountable for their areas of responsibility in the value-creation process.
- Ensure that the resources of the sector are used effectively, efficiently and economically, and follow up on any instances where the money spent does not correlate with the actual performance. This will ensure that action is taken against any non-compliance that caused, or is likely to cause, material financial losses to the department.
- Seek to ensure that projects attracting housing investment from the state should have schools, clinics, recreational facilities, running water and adequate sanitation – and, importantly, access to basic and economic activities.



To oversight bodies

- The portfolio committee should request timely feedback on the progress made in addressing backlogs as well as the delivery of timely and quality housing opportunities to South African communities.
- The portfolio committee should ensure the consistent inclusion of customised indicators in all provincial human settlements departments across the sector.

DEPARTMENT OF WATER AND SANITATION

WATER INFRASTRUCTURE DEVELOPMENT



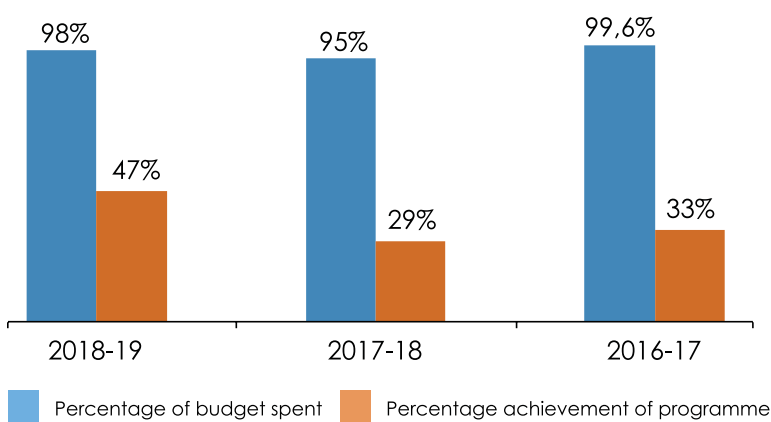
PROGRAMME PURPOSE AND MTSF OUTCOME

The programme is responsible for developing, rehabilitating and refurbishing raw water resources and water and sanitation services infrastructure to meet the socio-economic and environmental needs of South Africa. This programme supports outcome 6 of the MTSF regarding an efficient, competitive and responsive economic infrastructure network, with specific reference to the maintenance and supply of bulk water resource infrastructure. The programme's budget amounted to R14 255 million in 2018-19, of which 98% was spent.

PROGRAMME PERFORMANCE OVER FIVE YEARS

Budget spending against actual achievement

Budget spent versus achievement of targets



We report on only the past three years as we started auditing the key projects in 2016-17

Financial constraints were experienced by the department mainly due to the following:

- Engaging in and conducting projects that had no budgets, or were not aligned to budgets, resulting in budget overruns or material underspending (refer to the key delivery challenges below).
- The war on leaks programme now budgeted for under programme 3: goods and services, utilised a portion of the department's capital expenditure budget (R376 million).

The overall budget for the programme was almost fully utilised (98%), but this spending did not correlate with the performance, as the department **did not**

achieve its targets as set out in its annual performance report. The additional spending on the war on leaks programme resulted in **irregular expenditure**.

Key delivery challenges relating to projects

The table below summarises the key projects that we audited and indicates overall findings relating to performance reporting, achievement of targets, project delays and quality issues identified on these projects:

Key projects audited / followed up this year	Actual versus budget (original)	Resulting in irregular and/ or fruitless and wasteful expenditure	Findings
Giyani bulk water project	R3,3 billion spent (No initial budget)	Yes Irregular expenditure: R0,226 billion Fruitless and wasteful expenditure: R0,047 billion	None
Bucket eradication programme	R3,4 billion spent (No initial budget)	Yes Irregular expenditure: R0,434 billion	Target was not achieved (15 638 target vs 2 019 achieved)



Key projects audited / followed up this year	Actual versus budget (original)	Resulting in irregular and/ or fruitless and wasteful expenditure	Findings
War on leaks programme	R2,97 billion spent (No initial budget)	Yes Irregular expenditure: R1,048 billion	Target was not achieved (2 640 target vs 1 689 achieved)
Sedibeng wastewater treatment plant	R0,766 billion spent (R1,093 billion budget)	No	Poor quality issues (also refer to the impact of this on service delivery on the following page)
Raising of Hazelmere dam	R0,498 billion spent (R0,533 billion budget)	Yes Fruitless and wasteful expenditure: R0,003 billion	Delayed due to unavailability of permanent load cells (operational equipment) and disputes with contractor
Mopani emergency project	R0,013 billion spent (No initial budget)	Yes Fruitless and wasteful expenditure: R0,013 billion	Performance reporting concerns, as no target was included in annual performance plan
Nwamitwa dam	No current year spending	No current year spending	Project on hold
Raising of Tzaneen dam wall	R0,010 billion spent (R0,047 billion budget)	No	Delayed – did not commence due to holdups in finalisation of tender process following design delays
Raising of Clanwilliam dam	R31,6 million spent (R189 million budget)	Yes Fruitless and wasteful expenditure: R8,2 million	Delayed – project still on hold awaiting delivery of permanent load cells (operational equipment)
Mzimvumbu water project	R6 million spent (R87 million budget)	No	Delayed as there was no approved budget in the previous year as well as changes in contractors (now conducted by construction unit of the Water Trading Entity)

Project monitoring

The department experienced extreme financial constraints, which resulted in it not being able to finalise some of the capital projects. The department therefore incurred fruitless and wasteful expenditure on existing projects, as standing time payments were made to some contractors due to contractual obligations. Furthermore, procurement processes were

not always followed. In addition, the department did not implement the standard for infrastructure procurement and delivery management, exposing the department to the risk of undue increases in project costs. A **lack of proper project management** can result in budget overruns as well as timelines and completion dates being extended.

Impact on service delivery

The quality deficiencies identified at the Sedibeng wastewater treatment plant (where we used an infrastructure specialist) illustrate the impact of project weaknesses on service delivery.



Lots of patched cracks on concrete



Reinforcing steel severely affected by rust



Poor concrete work



Construction to be done again due to stalled work and poor workmanship

These quality deficiencies were mainly due to the department not implementing quality assurance measures on the projects run by implementing agents. Implementing agents are solely responsible for occupational health and safety on projects, which

includes quality management and assurance. Thus, the department's engineers did not conduct oversight of the project, which resulted in the implementing agent's workmanship not being up to standard.

Grant funding and compliance with legislation

The following two main objectives (out of five) are funded through grants:



The **regional bulk infrastructure grant** provides for the development of new infrastructure, and the refurbishment, upgrading and replacing of ageing infrastructure, servicing extensive areas across municipal boundaries.

R4 844 million (34% of estimates of national expenditure) divided into a direct (schedule 5B) and an indirect (schedule 6B) portion.



The **water services infrastructure grant** provides for the construction of new infrastructure and the rehabilitation of existing water and sanitation infrastructure through the grant transfer of water services schemes to water services institutions. The allocation prioritises the 27 poorest district municipalities.

R5 385 million (38% of estimates of national expenditure) divided into a direct (schedule 5B) and an indirect (schedule 6B) portion.

Indirect grants (schedule 6B) are managed or administered by the national department, meaning that the accountability for spending or utilisation lies with the national department.

Regional bulk infrastructure grant (2018-19)

Budget: R2 881 million – spending by department: **82%**

Water services infrastructure grant (2018-19)

Budget: R608 million – spending by department: **95%**

Direct grants (schedule 5B) are managed or administered by municipalities, meaning that the accountability for spending or utilisation lies with municipalities. Although the municipalities still had three months to spend the allocated funds as at 31 March 2019, we noted the following underspending:

Regional bulk infrastructure grant (2018-19)

Budget: R1 963 million – **only 48%** was spent by municipalities

Water services infrastructure grant (2018-19)

Budget: R4 777 million – **only 24%** was spent by municipalities

We reported material **non-compliance with the Division of Revenue Act** by the department, as allocations to projects funded by the grants were not spent on their intended purposes in accordance with the applicable grant framework. The grants were

underspent, but there was no cash in the department's bank account at year-end. The 2019-20 budget would therefore be required to settle these obligations, reducing the department's ability to effectively deliver on its mandate for the 2019-20 year.

Credibility of financial and performance reports

- The reported performance information was useful and reliable, but only after material adjustments were made to the annual performance report submitted for auditing.
- A total of 83% of the projects selected for the year under review were not included in the annual performance plan or the target was not met.
- For four of the projects being implemented at the trading entity, project delays were not disclosed in the financial statements, contrary to the applicable reporting framework.
- We had previously reported that both irregular expenditure and fruitless and wasteful expenditure were incurred on the Giyani project, which significantly contributed to the overall irregular expenditure and the department being qualified on the incomplete disclosure of irregular expenditure in the financial statements. The department disclosed this appropriately in 2018-19, as the prior qualifications were addressed.
- Despite credible performance reporting, the war on leaks and the bucket eradication programmes both resulted in continuing irregular expenditure.

Impact analysis

In order to ensure that the objectives of the war on leaks programme are met, spending will continue to be incurred. In turn, this will continue to place strain on the department's already stretched resources. Funds being channelled from capital projects to implement this project result in those capital projects not being implemented or finalised, leading to further additional payments for standing time as well as penalties and interest.

The department's **lack of proper oversight** resulted in poor-quality workmanship on the Sedibeng project, which directly affected service delivery. The department could be required to spend additional fees to rectify the defects, which could have been spent on new projects instead. The quality defects could also result in the infrastructure not operating as efficiently and effectively as intended.

Call to action

There has been a **slow response to implement prior year recommendations** due to the long-persisting instability in leadership at accounting officer level. Insufficient budget and project management controls (due to slow progress in adequately updating the related policies and procedures) further contributed to the lack of improvement.

The department needs to improve the planning and implementation of the war on leaks and the bucket eradication programmes to ensure that they are being implemented as efficiently and effectively as possible. Based on the current year's performance of the bucket eradication programme of just over 2 000 households, it would take the department well over a 1 200 years to fully address the backlog of 2,6 million households without access to basic sanitation services reported in 2015 – and this does not even include the new demand. The department also needs to start engaging in a process to enable the success of the war on leaks programme to be measured insofar as the initial overall objectives are concerned. This includes the number of successfully trained and developed youth who would be employed as water agents, artisans and plumbers, who would be addressing the annual water losses suffered by government as well.

A director-general must be appointed as a matter of urgency to ensure leadership stability. This position has been vacant for several years. It would be beneficial if the appointed person has an engineering

Overall, the department continued to encounter **severe financial constraints** due to some of the practices reported above on the implementation of key projects, which resulted in payments being made to service the large amounts of accrued liabilities incurred on projects where the projects were allowed to continue without making payments in prior years. This was due to improper budgeting where the actual project costs often exceeded the initial budgeted costs and/or payments being made on projects that had not been budgeted for. This has resulted in an ongoing cycle where the department has to play catch-up, as funds and allocations earmarked for the implementation of projects in a particular year, are used to service these outstanding liabilities and accruals. This has an adverse impact on the department's service delivery objectives, as not many new projects are undertaken and the targets of much-needed promised water infrastructure are continually reduced, despite the allocated funds being spent.

or project management background to oversee the implementation of the water master plan of the department. This will help to ensure that the department focuses on delivering the required water infrastructure to meet the water demands of the country.

Certain multi-year projects of prior years were conducted on an emergency basis, which raises questions about the validity, accuracy and authenticity of the water master plan and the priorities of the department. The department should have a holistic, properly supported/informed and analysed view of the water needs of South Africa – which should assist the department in determining its focus in terms of the delivery of new water infrastructure. From our reviews over the years, we noted that **industrial, economic and social development projects have stalled in the past 10 years due to a lack of infrastructure.**

Furthermore, the department should ensure that comprehensive policies and procedures (including the standard for infrastructure procurement and delivery management) are effectively implemented and enforced relating to project management and the monitoring of implementing agents. Proper consequences should continue to be enforced in cases of non-compliance with supply chain management legislation and non-adherence to the policies and procedures that are central to the implementation of key water infrastructure and ultimately service delivery.



The oversight structures must request management to **provide regular and supported feedback** on the following:

- Progress on filling key vacancies at the department, especially that of the accounting officer.
- Progress on the implementation of action plans to address matters reported on projects that may have an adverse impact on service delivery.
- Key initiatives implemented to improve financial health, budget management and control as well as turnaround plans or interventions.

- Action taken against transgressors who permitted irregular or fruitless and wasteful expenditure to be incurred, to ensure the proper effecting of consequences.

In total, the programme spent 98% of its allocated funds but achieved only 47% of its targets. This indicates that service delivery objectives to develop, rehabilitate and refurbish raw water resources and water and sanitation infrastructure are not being met. Ultimately, this has a negative effect on the socio-economic and environmental needs of the country.

OVERALL CONCLUSION

Almost all of the funds allocated to the departments responsible for the programmes highlighted in this section were used in 2018-19, yet none of these departments were able to achieve their planned targets.

At Education, the non-achievement of targets can mainly be attributed to projects not being monitored by delegated officials, project delays by the department, and contractor inefficiencies. Although the overall performance of Health shows a slight improvement across the indicators when compared to the previous year, a number of the scoped-in indicators for some of the key priorities were not achieved. In addition, Public Works, Health 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, education and housing infrastructure projects. Some of the projects displayed serious weaknesses in terms of delayed delivery, poor-quality work, waste and mismanagement. Some of the delays were due to inadequate planning and project management processes, prolonged procurement processes, and poor contractor performance. The widespread lack of consequences made the situation even worse.

Further investment in **preventative controls** is encouraged to strengthen the control environment, as this will be much more effective than having to deal with the consequences of poor or no service delivery and money not being used for its intended purposes.



The achievement of the goals and objectives included in the strategic documents of government (**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**).

If the identified challenges and deficiencies are not addressed as a serious matter of urgency by the relevant departments and oversight authorities, the ideals of the National Development Plan and sustainable development goals (such as alleviating poverty, providing access to clean water and sanitation, improving longevity of citizens, improving quality of teaching and learning through provision of education infrastructure, enabling decent employment as well as economic growth) may not be achieved.