



31 August 2022

## **Auditor-general reports response to KwaZulu-Natal and Eastern Cape flood disaster as too slow**

**PRETORIA** – Auditor-General (AG) Tsakani Maluleke today called on all levels of government to urgently strengthen their internal controls and disaster management capabilities, as she reported that compromised control environments of auditees and weaknesses in intergovernmental coordination undermine delivery on even the best disaster response plans – and will continue to do so if not addressed.

She also reported that government's response to the devastating floods that hit KwaZulu-Natal and the Eastern Cape in April 2022 was too slow.

Releasing the national audit office's first of a series of real-time reports on the use of the public funds allocated for the relief effort in the two provinces, Maluleke acknowledged government's ongoing effort of “successfully providing social relief and commencing the rehousing and rebuilding phases with some good practices emerging” but stressed that the overall response to the disaster has been “too slow”.

She said that the impact of this slow response is that “residents and businesses in affected areas continue to experience hardship more than three months after the floods with little relief”.

### **Call to action**

The AG revealed that not all delivery in critical areas took place at the required quality and that this disaster “again revealed the weaknesses in preventative controls and in intergovernmental coordination”.

She said strengthening these processes and improving intergovernmental coordination will help avoid failure in the infrastructure rebuilding phase of the disaster.

“Government’s priority should be to urgently strengthen its disaster management capacity and capabilities, as disasters such as these floods are becoming more common due to climate change,” Maluleke cautioned.

Therefore, we call on government to take urgent action where delivery is slow or compromised so that much-needed relief can reach citizens that are already struggling to restore their livelihoods.

Maluleke highlighted the following for immediate attention by government:

- Where delivery is slow or compromised, leadership must take urgent action to alleviate the hardship of affected communities.
- Even in times of crisis, the quality of delivery and value for money should be non-negotiable.
- Preventative controls should be implemented to avoid failure, especially in the infrastructure rebuilding phase.
- Government should continue to build disaster management capacity and capabilities and learn from previous disasters.

## **What was audited**

After the devastating floods in the two provinces, President Cyril Ramaphosa requested the audit office to perform a real-time audit on the flood relief funds to “ensure that all funds disbursed to respond to the disaster are properly accounted for and that the state receives value for money”.

A real-time audit means that the audit office audits the processes as they unfold and communicates risks and findings identified without delay so that corrective measures can be implemented promptly.

As was the case with the real-time audits on government’s response to the covid-19 pandemic, the audit office deployed multi-disciplinary audit teams comprising regularity auditors, information systems auditors, forensics experts as well as sector-specific experts.

As part of this audit, auditors do not audit all of the amounts, transactions, projects and implementation forming part of the flood relief initiatives, but select specific focus areas based on the risks, value and potential impact of failure.

This audit commenced in May 2022 and focused particularly on those areas posing the highest risk of non-delivery and (continued) harm to flood victims as well as the possible mismanagement of funds and fraud.

The AG says that the first special report deals with what her office found on the immediate and short-term initiatives that government has implemented. Her office will continue to report on flood relief funding and initiatives in upcoming general reports and other special reports.

“Our audit will continue until we are satisfied with the progress made and with the responsiveness to our findings, after which we plan to integrate the audit work into our normal audits,” the AG explained.

## **Focus of the latest report**

The AG's latest report includes the outcomes of the audit up to 15 July 2022 on these key areas and initiatives:

- Provision of mobile classrooms and kitchens to severely damaged schools in KwaZulu-Natal
- Provision of temporary residential units for KwaZulu-Natal residents who lost their homes in the floods
- Water tankering services in eThekweni Metro where damage to water infrastructure affected water supply
- Social relief efforts in KwaZulu-Natal and the Eastern Cape
- Repairs to government properties

## **Outcomes of the audit process**

### **Overall observations**

The AG reports that the overall response to the disaster has been too slow to alleviate the hardship of flood victims.

She reveals that although government had responded by committing to provide temporary relief measures, there was a lack of urgency in assessing damage and determining needs “particularly in the Eastern Cape where there was a limited response”. Maluleke says damage assessments were not performed because of the backlog in addressing the impact of previous

disasters dating as far back as 2013 due to a lack of funding and coordination between municipalities and provincial departments.

In KwaZulu-Natal, assessments were not adequately prepared and did not enable appropriate planning and implementation. This poor planning contributed to the slow delivery against planned milestones. **For example, in terms of government's own assessment**, only 736 of the 1 810 temporary residential units had been completed and were in use in KwaZulu-Natal and only 45 of the 4 799 temporary residential units had been completed in the Eastern Cape by 31 July 2022 and some of them were not yet in use as they had not been handed over to beneficiaries.

With the exception of the social relief initiative, the interim measures of the initiatives relating to mobile units, temporary residential units, water tankering services and repairs to government properties had not been completed timeously, the AG further explained.

In several instances, water tankering services were not provided quickly enough, leaving communities without water for days and residents resorting to using unsafe water for their basic needs.

Learners of affected schools had to contend with unconducive learning environments until the completion of mobile units. Displaced individuals also had to remain in mass-relief shelters for an extended period.

### **Causes of the slow response**

Maluleke reports that the **slow response in KwaZulu-Natal** can be attributed to a lack of capacity, inadequate project management and ineffective monitoring to ensure that contractors completed projects on time and delivered quality goods and services.

"Government was further not adequately prepared for a disaster. For example, documented processes were not always in place (such as for the supply of water tankering services) to guide and direct efforts to enable service delivery. Some challenges experienced during implementation (such as the unavailability of land for temporary residential units) also remain unresolved, resulting in current and future delivery failures," reports the AG.

The **slow response in the Eastern Cape** can be attributed to "inadequate coordination and a lack of capacity to manage the disaster, largely due to persistent vacancies, especially in the provincial education, transport and health departments". In addition, the departments and

municipalities did not reprioritise funds to deal with the disaster as existing objectives would have been compromised. She says that delays in the supply of material because of scarcity from the service providers due to the high demand caused by the floods, bad terrain and inclement weather conditions contributed to delays in the delivery of temporary residential units.

### **Key findings on delivery of mobile units (KZN)**

The AG's report discloses **inadequate needs assessments, incomplete installations** of mobile units, and installations **that did not meet the specifications** set by the department.

For example, the AG says that although the KZN education department had a quick turnaround time in preparing the needs assessment for the provision of school mobile units (classrooms and kitchens), some of the temporary solutions did not address the need.

At one of the five schools selected for auditing (Brettenwood High School), the department determined that 13 mobile classrooms would be required for the school based on the reason that 13 classrooms had been damaged by the flood.

"The department did not take into account that these classrooms were on the ground floor of a three-storey building, which showed signs of damage to the foundation. This would likely affect the structural integrity of the whole building, including the classrooms on the first and second floors. This was then also confirmed by a structural assessment report by the department in April 2022. Therefore, the needs assessment did not consider that the whole building accommodated 880 learners and that the 13 mobile classrooms could only accommodate up to 550 learners and would thus not be sufficient."

Also, four of the 13 mobile units installed and reported as complete were not in use on 27 May 2022, the date of the auditors' site inspection. Four of the units were constructed on the very same ground previously submerged by the floods and two of the four units had to be vacated due to heavy rains on 21 and 22 May 2022 (subsequent to the initial floods). As a result, the construction of the remaining nine mobile classrooms was placed on hold while the department investigated the availability of suitable land on the school premises not prone to flooding.

"We recommended that the structural damage be addressed and that the needs assessment be updated to ensure that the school is safe for use. In its response, the department confirmed

that the Development Bank of Southern Africa had been appointed to undertake major repairs and renovation at the school to address the structural concerns," the AG reports.

### **Key findings on temporary residential units (KZN)**

Some of the report's key findings include:

- The KZN human settlements department did not timeously assess and validate displaced households as beneficiaries for temporary residential units.
- By 10 June 2022, only 1 197 of the 4 983 displaced households had been assessed. Of those assessed, 894 households had been validated as beneficiaries between 9 May and 10 June 2022, entitling them to temporary residential units.
- Inspections of the TRUs revealed that some units were built on unsuitable land and that some installations did not meet the agreed specifications. Quality defects that were identified include wall panels that were incorrectly positioned and inadequate waterproofing.

"The slow progress and validation of displaced households negatively affects the quality of life of those who have lost their homes during the floods, as they remain in mass-relief shelters. They are also required to commute greater distances to work and school at an increased cost, adding to the burdens of an already high cost of living and unemployment," noted Maluleke.

### **Water tankering services (eThekweni Metro)**

The eThekweni Metro, the KZN cooperative governance and traditional affairs department and the national Department of Water and Sanitation are providing water to communities in the eThekweni metropolitan area until the damaged pipelines have been repaired.

Some of the key findings on the interim water supply initiatives include:

- The metro did not prepare a comprehensive needs assessment to ensure the effective planning and delivery of water to all affected areas, thus resulting in water tankers not meeting communities' demands.

"This is not the first time that we are reporting on the lack of needs assessments. During our covid-19 real-time audit, we reported similar issues on the implementation of the initiative relating to the emergency supply of water to targeted communities and schools, yet we continue to see deficiencies in the internal control environment. As a water services authority,

the metro is required by legislation to have a water services development plan and should have had pertinent information such as the number of households to inform the needs assessment for this disaster," said the AG.

- The ineffective utilisation of water tankers included inadequate management of the fleet of water tankers owned by the eThekweni Metro, such that only 62% of the fleet was available for use.
- Poor management and scheduling of the tankers as well as inadequately controlled water filling points.
- Poor monitoring of water tankering services.

Maluleke says that the impact of these and other related findings was that access to water was compromised, causing some residents to resort to using unsafe water for their basic needs.

### **Repairs to government properties in KZN**

The floods caused damage to government properties in KwaZulu-Natal and the Eastern Cape, with the Property Management Trading Entity (PMTE) determining that 65 properties – both leased and owned – had been damaged. Repairs and capital costs were estimated at R10,8 million and R19 million, respectively.

The audit office audited the procurement process followed by the PMTE to appoint 31 contractors to perform repairs valued at R10,8 million; and inspected 20 projects (17 still undergoing repairs and three reported as complete on 19 May 2022).

The procurement red flags raised by the AG include:

- Possible unfair advantage to a contractor, as the auditors identified indicators that awards might have been split to avoid a competitive bidding process, which contravenes the principles of fairness and competitiveness, as a contractor was requested on the basis of an emergency to provide separate quotes for five similar projects to be performed on the same property at a total value of R1,8 million.
- Late submission of quotations, authorised amounts exceeded and open-ended appointments, as well as little market analyses and competition.

Maluleke has cautioned that if not investigated and addressed urgently, these risks are likely to result in a financial loss to the PMTE, and that there is also an increased risk of projects being delayed or poorly executed.

“We recommended that all of the reported instances should be investigated and appropriately dealt with based on the outcome of the investigations. We also recommended improved preventative and detective controls. The PMTE’s response is encouraging. They committed to undertaking investigations and taking appropriate steps against implicated officials. Also, payments to suppliers are being withheld until the investigations have been concluded. During the next phase of our audit, we will focus on the payment and consequence management processes and the possibility of material irregularities,” the AG explained.

### **Social relief efforts (KZN and EC)**

In KwaZulu-Natal and the Eastern Cape, the disaster affected 117 708 and 6 118 people, respectively.

Based on a needs analysis to determine where immediate assistance was needed, performed by the South African Social Security Agency (Sassa) that administers the social relief budget on behalf of the national Department of Social Development, Sassa provided social relief to flood victims by 31 July 2022 in the form of approximately 99 500 hot meals and 10 894 food vouchers for groceries in KwaZulu-Natal.

In addition, Sassa indicated that 2 637 items of humanitarian goods were delivered, 4 159 cash distributions were paid directly into bank accounts, and 816 school uniforms were provided in KwaZulu-Natal and the Eastern Cape.

The AG says that they have not identified any material findings or risks on the provision of social relief based on the work done to date.

“It is encouraging that management responded to our audit findings and recommendations from the covid-19 real-time audits by updating policies and procedures to improve the control environment. They also improved the distribution of relief by providing food vouchers instead of food parcels to eliminate issues of quality and quantity. We recommended improvements to the manual and system controls and distribution processes in preparation for future disasters, which Sassa has committed to implementing,” said the AG.

## Conclusion

Maluleke says that in times of disaster, citizens look to government for humanitarian relief, the restoration of services, the provision of housing, and the rebuilding of infrastructure.

“Any disaster response requires urgent and well-coordinated action by national, provincial and local government and by the contractors they appoint. An emergency does not negate the need for accountability for the funds used, the quality of the delivery, or the value derived from the money spent.

“Our report is specifically aimed at empowering Parliament, the provincial legislatures in KwaZulu-Natal and the Eastern Cape as well as the councils of the affected municipalities to play their important oversight role as representatives of the people whose lives have been severely affected by the floods. In the report, and during our extensive engagements with government leaders, we made specific recommendations to the affected accounting officers and authorities. In addition, the report serves as an important instrument that provides the public with insights on the response to the disaster.

“We observed that the key message that we have been driving around the accountability ecosystem (for all role players to rise to the challenge and deliver on their responsibilities) is being heeded. We have seen more proactive monitoring and oversight at the key national and provincial government level, improved administration, and executive oversight. For example, in KwaZulu-Natal the provincial treasury conducted pre-award assessments of procurement over a million rand which resulted in reducing non-compliance in supply chain management prescripts. In addition, the treasury also deployed internal auditors to provide assurance on the delivery and quality of temporary residential units in line with the specifications. We believe government can still get better at balancing effectiveness, efficiency against controls, accountability and value for money.

“We also appeal to structures in the accountability ecosystem at national, provincial and local government to improve planning, coordination and monitoring to ensure seamless delivery. We commend the setting up of various structures, while appealing for speed to improve the livelihoods of communities and their lived experiences.

“We are encouraged by the responsiveness to our findings and commitments to take action, some of which have already yielded positive results. Our recommendations and the

commitments in response are included on our website – we are tracking them closely and will report on their implementation in every report.

“As the findings and risks we reported are being addressed, we did not issue notifications of material irregularities. If the matters that can lead to financial losses and/or substantial harm to the public are not resolved, we will use our enforcement mandate,” Maluleke concluded.

**Issued by:** Auditor-General of South Africa

**Contact:** Africa Boso • (012) 422 9880 • [Africab@agsa.co.za](mailto:Africab@agsa.co.za)



**Follow the AGSA on Twitter:** AuditorGen\_SA

**Media note:** The report will be available on [www.agsa.co.za](http://www.agsa.co.za).

**About the AGSA:** The AGSA is the country's supreme audit institution. It is the only institution that, by law, has to audit and report on how government is spending taxpayers' money. This has been the focus of the AGSA since its inception in 1911 – the organisation celebrated its 100-year public sector auditing legacy in 2011.