



AUDITOR - GENERAL
SOUTH AFRICA

Performance audit of the effectiveness of the **urban renewal programme** at the Gauteng Department of Human Settlements



PERFORMANCE AUDIT

An independent auditing process to evaluate the measures instituted by management to ensure that resources have been procured economically and are used efficiently and effectively.



ABBREVIATIONS

AGSA	Auditor-General of South Africa
ARP	Alexandra renewal programme
BRP	Bekkersdal renewal programme
CDB	Central business district
CIDB	Construction Industry Development Board
DAC	Departmental acquisition council
ERP	Evaton renewal programme
HSS	Housing subsidy system
PFMA	Public Finance Management Act
RDP	Reconstruction and development programme
SCM	Supply chain management
URP	Urban renewal programme
WRP	Winterveldt renewal programme

CONTENTS

1	FOREWORD	5	6	EVATON RENEWAL PROJECT	33
				Project scope	34
				Findings	34
				Recommendations	40
				Conclusion	40
2	EXECUTIVE SUMMARY	7	7	WINTERVELDT RENEWAL PROJECT	41
	Introduction	8		Project scope	42
	Major findings	8		Findings	42
	Conclusion	11		Recommendations	43
	Key recommendations	13		Conclusion	43
	Commitments received from external stakeholders	14			
3	OVERVIEW	15	8	HOUSING AND BUILDINGS	45
	Programme description	16		Findings	46
	Audit scope	18		Recommendations	47
4	ALEXANDRA RENEWAL PROJECT	19	9	PERFORMANCE AUDITING	49
	Project scope	20			
	Findings	20			
	Conclusion	21			
5	BEKKERSDAL RENEWAL PROJECT	23			
	Project scope	24			
	Findings	25			
	Recommendations	30			
	Conclusion	31			





1

FOREWORD



I am honoured to present to the Gauteng legislature the results of a performance audit of the urban renewal programme at the Gauteng Department of Human Settlements.

I undertook this performance audit in response to a request from the members of the executive council for the Gauteng Department of Human Settlements and the Department of Cooperative Governance and Traditional Affairs.

In this report I focused on the planning, project management, departmental support and departmental cooperation within the urban renewal programme in four local areas in Gauteng. This report sets out my findings, recommendations and conclusions.

One of our major findings was that departmental and project managers did not properly record information or maintain documentation on project activities. At all four urban renewal projects, we were unable to assess aspects of their activities, including payments and their scope of work, due to the lack of documentation.

Another major finding was that although planning for the urban renewal projects reflected the needs of their communities, the Gauteng Department of Human Settlements did not go far enough in assessing the risks to project activities before their implementation. It also did not secure the cooperation of the relevant sector departments required to implement these project activities without first fulfilling the roles of the other departments. As it did not have the funding and competency to fulfil these roles, it failed to deliver the promised services to these communities.

Our findings show how vital coordination and cooperation between government institutions are when planning and implementing community projects. Departments have to work together to ensure service delivery to their communities.

The Gauteng Department of Human Settlements has had the opportunity to scrutinise the outcomes of the audit. This report has also been discussed with the provincial legislature, portfolio committee and other relevant stakeholders. They have made a number of commitments that are contained in this report.

I wish to thank the audit team and the auditee for their diligent efforts towards fulfilling our constitutional mandate and hope that this constructive interaction continues to strengthen the role of the leadership in the province.

Auditor-General

Pretoria

November 2016



2

EXECUTIVE SUMMARY

2.1 Introduction

This performance audit was conducted in response to concerns raised by the residents of Bekkersdal in the Westonaria Municipality during service delivery protests. Among their concerns was the poor progress made with the Bekkersdal urban renewal project compared to those of Alexandra, Winterveldt and Evaton, as well as the large portion of the funding spent with very little tangible results.

The Auditor-General of South Africa acceded to a request from the members of the executive council for the Gauteng Department of Human Settlements (department) and the Department of Cooperative Governance and Traditional Affairs for a performance audit to assess the performance of all four urban renewal projects and determine whether the concerns raised were justified.

2.2 Major findings

We established that the urban renewal projects had different objectives that addressed the needs of their respective communities, which led to their outcomes being different. Although the Bekkersdal urban renewal project experienced many challenges, as detailed in this report, their situation was not unique. All four urban renewal projects assessed experienced similar problems in delivering on the promises outlined in the individual business plans.

We found that the following cross-cutting challenges hampered the successful implementation of the urban renewal projects:

- Poor project planning
- Poor project management
- A lack of supportive departmental structures
- A lack of cooperation from the relevant sector departments.

2.2.1 Project planning

Although intensive project planning was done to identify the communities' needs, as evident in the business plans, the individual projects were not effectively implemented and monitored.

Budgets for the urban renewal projects were compiled based on business plans but not fully funded. A combination of a lack of funding, project management, monitoring and stakeholder participation led to the identified needs not being addressed effectively.

2.2.2 Project management

Resource management

The department could not provide certain vital project documentation, such as contracts, payment certificates, design-related information and progress reports. Without this information we were unable to understand and assess the issues and activities of the project, including how the budget had been spent, whether payments were made properly according to regulations, and the scope of work for some activities. Inadequate document management was also indicative of a lack of proper monitoring. When projects were not closely monitored, they became subject to delays and cost overruns, which in turn affected delivery.

Responsibility for the urban renewal programme changed during various periods over the term of the programme. Initially the urban renewal programme office was responsible for monitoring at the provincial level, but this office was disbanded in 2011, after which heads of regional offices of the department became responsible for projects within their regions.

The Outcomes Management unit began monitoring the programme, but had difficulty retrieving project information from the regional offices. This inconsistency in monitoring and lack of information led to the lack of central accountability, feedback and approvals not being done promptly, and sparse reporting on the progress and achievements of the urban renewal programme.

As the department relied on consultants to perform the project management functions, the role of the departmental project managers was not always clear. The department also did not have an effective internal process to track and monitor the various projects implemented under the urban renewal programme.

Some activities included in the original business plans were not implemented, mainly due to resource constraints. The urban renewal projects did not have sufficient staff to manage all the activities listed in the business plans, and funding often did not coincide with project requirements. Funding was also sometimes used for projects that were not aligned to the business plans.

Project managers were responsible for communicating with the community and other stakeholders. However, communities affected by project implementation did not always receive consistent communication from project management. The deputy director responsible for communicating with the Evaton community vacated the post, which was not refilled. This resulted in the community not being updated on the project's progress. Development forums, ward councillors or committees began to communicate with communities on all the urban renewal projects. The urban renewal programme therefore did not have total control over the information disseminated, which contributed to several service delivery protests.

Table 1: Time and cost management

Finding	Time	Cost
Some projects experienced challenges that could have been avoided with proper project management. These included instances of time and budget overruns, poor quality of work and a lack of document management. Project managers at the regional offices also indicated that they did not receive timely feedback on reports submitted to the department and approval requests were not treated with a sense of urgency. This contributed to project delays because challenges often could not be addressed in a timely manner.	X	X
Project managers implemented housing, social services, bulk services and roads infrastructure projects. They had to track the progress and budget, and ensure that projects were implemented within the stipulated time frame.	X	X
The diversity and magnitude of their tasks, coupled with their management of projects that were outside their expertise, given non-participation by the other sectors, led to project challenges during implementation.		X
In Bekkersdal, a website was developed at a cost of R1,9 million; however, the website was not operational. An activity to distribute pamphlets to the community was stopped.		X

2.2.3 Departmental support

The department did not have an effective information management process. Project files were either missing information or were not available at all. Manual processes were used to monitor and report on progress made with projects. The unavailability of information delayed management decisions, which in turn led to delays in project implementation. The department has the housing subsidy system which could be used to collect and analyse project and programme information. This system was, however, not utilised by the department to assist in managing the urban renewal programme. Only project reports and site meetings were used to track and report on the progress of projects. This posed a risk of the information being misrepresented and subject to human error.



Project managers were trained on the Microsoft project software; however, as this was never installed on their computers, the use of funds for this training was uneconomical. Some urban renewal projects used other means instead of a project management system, for instance:

- Evaton used a Microsoft Word-based tool that captured community dynamics such as complaints, health and safety issues and claims processes.
- Alexandra had no project management system. The Johannesburg Development Agency was appointed to run the project based on their use of the Amex project management system.
- Winterveldt and Bekkersdal did not use any project management system.

The funding made available each year was not always sufficient for the projects to be completed on time. In addition, a misalignment between the required funding and the allocated budget often led to insufficient funds within the programme. These issues resulted in project cost escalations, delays in payments to contractors and project delays as projects were stopped due to late payments.

Furthermore, there was no specific budget allocation for the urban renewal programme. The department received an allocation from the provincial treasury, which was transferred to the regional offices. Regional offices allocated a portion of this budget to the urban renewal programme, often at the department's discretion and not necessarily based on the needs of the urban renewal programme.

- The funding for the Alexandra renewal project was initially ring-fenced and separated from the regional budgets; however, as from the 2013-14 financial year, this budget also became part of the regional budget. The required budget was estimated at R1,3 billion at the inception of the project in 2001.

- Bekkersdal renewal project – Of the R1,2 billion required over five years, only R440 million was received over the seven years since the project's inception. This was only 36% of the amount required.
- Winterveldt renewal project – The business plan for 2010-11 to 2015-16 stipulated a budget of R4,9 billion. However, the budget allocation for 2010-11 could not be verified. The verified allocation was only R278 million of R4,3 billion for the 2011-12 to 2015-16 financial years, which was 6,5% of the amount required for those years.
- Evaton renewal project – Of the R3,7 billion necessary to carry out the planned projects for the period 2008-09 to 2011-12, as per the 2008-11 business plan, only R260 million was allocated. This was only 7% of the amount required.

The Evaton renewal project underspent the budget for each of the financial years due to delays in project implementation. Some projects started later than scheduled and some were deferred. Table 2 shows the expenditure patterns from 2008-09 to 2011-12.

Table 2: Evaton budget and expenditure

Financial year	Business plan budget	Budget allocation	Actual expenditure
2008-09	R391 222 239	R60 000 000	R55 120 110
2009-10	R1 122 509 116	R50 000 000	R48 212 241
2010-11	R1 564 096 687	R75 000 000	R62 306 509
2011-12	R619 265 493	R75 000 000	R40 413 984
Total	R3 697 093 535	R260 000 000	R206 052 844

The actual budget allocation for 2001-02 to 2014-15 was R708,5 million, while expenditure amounted to R476,1 million for the same period.

The expenditure for the Alexandra renewal project amounted to R2,2 billion over the financial period 2001-02 to 2012-13. The bulk of the expenditure was incurred by the department that spent R1,4 billion, which was 62% of the total expenditure for the period. The table below shows the different government institutions that have provided funds for the Alexandra renewal project.

Table 3: Government institutions that have provided funds for the Alexandra renewal project

Institution	Expenditure for 2001-02 to 2012-13
Gauteng Department of Human Settlements	R1 381 million
City of Johannesburg	R444 million
Human Settlement Fund (2001 - 2005)	R88 million
Municipal infrastructure grant / CMIP	R173 million
Gauteng Department of Transport	R109 million
Gauteng Department of Economic Development	R15 million
Total expenditure	R2,21 billion

Vacancies in the position of programme manager led to staff shortages and resulted in a void within the leadership of the urban renewal programme. Only the Winterveldt renewal project still had a programme manager.

Reports with comprehensive project information were not always available. Reporting was inconsistent and formats differed for each urban renewal project. The lack of a uniform and clear process for progress reports led to the department not being provided with crucial information regarding the projects' progress. In addition, the level of reliance that could be placed on the progress reports was of concern because there was no system to verify the accuracy of the information provided.

The 2013-14 annual report only mentioned targets of the housing projects. Other projects such as roads, sewerage and water were not reported on. The housing project targets for the urban renewal programme were reported without showing the individual contribution of each urban renewal programme.

2.2.4 Departmental cooperation

According to the projects' business plans, roles and responsibilities were clearly divided among the department, sector departments responsible for providing services such as education and health, and the municipalities within which the projects were being implemented. However, this did not translate into cooperation among the different stakeholders during the actual delivery of these projects because assistance by sector departments was in the form of verbal commitments, which meant that they could not be enforced. In addition, while the municipalities of the City of Johannesburg and City of Tshwane took over funding and implemented some projects, the Emfuleni and Westonaria municipalities could not provide such support, citing budgetary and capacity constraints. The result of this non-participation by stakeholders was that some aspects of the business plans were underfunded or not implemented at all.

2.3 Conclusion

We established that, given the different needs of the respective urban areas, the urban renewal projects all had different objectives and outcomes for addressing the specific needs. However, while the needs were different, the challenges to service delivery were very similar at all four urban renewal programmes assessed. These challenges were mainly poor project management, a lack of supportive departmental structures and a lack of cooperation from the relevant sector departments.



This resulted in local communities not receiving the services promised to them at the required time. Despite the challenges, the audit revealed that inter-departmental cooperation led to better results.

Alexandra renewal project – Due to funding constraints, the central urban renewal project office was disbanded in 2011. This left the regional heads, who took over the responsibility of the urban renewal project, with limited resources. Without a central budget, the urban renewal project had to source funding from the respective municipalities. As a result, some planned project activities were not implemented in the Alexandra renewal project.

Bekkersdal renewal project – In the Simunye area, no houses had been built since the inception of the Bekkersdal renewal project. The process to determine the actual needs of the community and to plan and schedule activities to meet those needs in an economical manner within an agreed time frame was not well defined and executed.

The unused bulk infrastructure has the potential to be an environmental risk to the community as we observed raw sewerage flowing from blocked manholes.

Evaton renewal project – The control environment for monitoring and reporting on the programme deliverables of the Evaton renewal project was weak. Without an action plan for monitoring and reporting, the department was not able to implement controls. For example, the delivery of geotechnical studies and monthly reports were not tracked, flagged as exceptions and reported when not submitted.

The department faced constraints in funding the Evaton renewal project. The inability of the department to pay the contractors on time led to contractors leaving the site and project completion delays.

Winterveldt renewal project – Poor coordination of the Winterveldt renewal project within and between the department and the City of Tshwane led to a shortfall in the number of planned houses. The increasing population within the area required better coordination to meet housing demands. The City Of Tshwane lacked the funding to deliver a complete housing development on its own.

2.3.2 Cross-cutting challenges

Although the Bekkersdal renewal programme experienced many challenges, these were not unique to this project, as each urban renewal programme experienced varying degrees of challenges. We noted that although there were similar project activities in all four urban renewal programmes, the nature, prioritisation and execution of the deliverables had been customised to address the unique challenges in each community. Some of the cross-cutting challenges experienced throughout the urban renewal programme were as follows:

- **Unclear deliverables**
It was not always easy to link projects that were implemented with those in the business plans due to the high-level nature of the plans. As a result, it was challenging to link progress on the ground with the information initially communicated to the various communities.
- **Inefficiencies in project management**
Most of the projects audited were not completed on time and exceeded the budget. All four urban renewal programmes were still ongoing at the time of the audit.
- **No turnaround strategy**
Although cross-cutting challenges were identified in the urban renewal programmes, the department did not demonstrate that a turnaround strategy had been formulated to address these shortcomings.

- **Misalignment between budget allocation and target**

From the commencement of the urban renewal programme, annual budget allocations did not correspond to planned deliverables, as the allocation was less than envisaged.

It was not a simple exercise to make a blanket comparison of the effectiveness of the urban renewal projects. The assessment we made in the detailed findings of this report was therefore based on the expected outcomes outlined in the business plan of each urban renewal programme.

Based on the cross-cutting and individual issues raised, our conclusion was that the urban renewal programme in Gauteng was not effective as it did not achieve all its objectives, nor was it efficiently implemented, which resulted in the programme not being executed in the most economical manner.

2.4 Key recommendations

We recommend that the department:

- re-assess the original business plans to ensure that the planned projects are still aligned to the needs of their communities. This will help the department to refocus and achieve the objective of upgrading.
- improve the way in which the urban renewal programme is monitored. There should be a clear process that ensures that implementation of the urban renewal programme is centrally monitored.
- ensure that each urban renewal programme develops and follows a communication strategy for its community so that the community is updated on progress made with the project and can provide feedback to management.

- develop a uniform internal communication strategy for the programme, which will ensure effective communication between the regional and provincial offices. Challenges within the urban renewal projects should be clearly and promptly communicated to management to ensure an improved response.
- establish a proper documentation and filing system to track information and monitor projects. This will ensure that all project information is available on the project files.
- ensure that those entrusted with the responsibility of planning, monitoring and reporting on the urban renewal programme are provided with the necessary capacity, resources and support to carry out their tasks effectively.
- develop a uniform approach for reporting on progress made with the urban renewal programmes. Progress reports should contain sufficient information to enable management to make informed and timely decisions. Such information should also be readily available to all relevant stakeholders, including members of the community.
- develop a funding mechanism that will address the complex requirements of the programme.
- coordinate the planning and budgets for programme with other stakeholders to ensure that roles and responsibilities are clear and projects are adequately funded.
- re-evaluate the institutional arrangements of the programme. The current structures lack the authority to ensure commitment from all stakeholders and shared accountability for the success of the programme.
- formalise the commitments of, and agreements with the other stakeholders to ensure the success of the programme.



2.5 Commitments received from external stakeholders

- The coordinating departments have acknowledged the shortcomings in the roll-out of the urban renewal programme. They welcomed the insights offered by the AGSA in their report and undertook to address the shortcomings that were identified.
- The lack of human resources in the coordinating departments to effectively plan, execute and coordinate the urban renewal programme is receiving attention and the newly appointed chief director at the Department of Cooperative Governance and Traditional Affairs will assume responsibility for the programme. The replacement of scarce skills and enhancement of information systems in the department will be prioritised, while the appointment of an engineering consultant is being considered to manage technical aspects of the programme.
- The process of refocusing the urban renewal programme will start with the adoption of a resolution by the executive committees of the coordinating departments, after which a detailed plan will be prepared for each programme. The resolution will entail a recommendation that funds be ring-fenced for the urban renewal programme and that coordinating departments align their plans to ensure delivery. The Department of Human Settlements will lead the process and recommend a new structure for the urban renewal programme.



3

OVERVIEW

3.1 Programme description

3.1.1 Background to the programme

Urban and rural development in South Africa was previously managed within a racially segregated bureaucracy that led to certain areas being underdeveloped and excluded from growth and expansion programmes. The urban renewal programme was established to address the development gap and ensure the inclusion of all urban areas. The focus of the urban renewal programme is to create liveable, sustainable and productive urban environments in the previously excluded areas.

The urban renewal programme was launched nationally in 2001 by former President Thabo Mbeki. Of the initial eight areas identified, Alexandra in the City of Johannesburg was the only project under the urban renewal programme in Gauteng. However, the Gauteng Provincial Government identified a further three urban areas in need of upgrading to alleviate poverty and underdevelopment, namely Bekkersdal, Evaton and Winterveldt.

3.1.2 Objectives

To eradicate high levels of poverty and underdevelopment, the Gauteng Department of Human Settlements hoped to integrate the priorities and funding from various sector departments to achieve the objectives of all four renewal projects. The department also encouraged community and private sector participation. While the needs of each urban area were different, the following were the projects' overarching objectives:

- Target poverty alleviation – the areas identified were all underdeveloped and poor
- Address sustainable local and micro-economic development

- Improve the coordination and integration of service delivery, particularly at a local level
- Build robust and sustainable communities
- Approach development as demand driven, and identify local projects through the municipal integrated development planning process
- Recognise the various partnerships necessary to ensure the success of projects.

Overall, the main focus of the renewal projects was the social and economic integration of human settlements with livelihood opportunities that would make them attractive for play, work and investment.

3.1.3 Key stakeholders

The renewal projects involved all the sectors of government, as well as the private sector and civil society. Outcomes management units were established within the local host municipalities as a monitoring, reporting and coordinating structure for the projects.

3.1.4 Background on the urban renewal projects

Alexandra renewal project

- Alexandra falls under the jurisdiction of the City of Johannesburg Metropolitan Municipality
- People are flocking into Alexandra from rural areas in South Africa and neighbouring countries, which is overloading infrastructure
- The Alexandra renewal project was intended to:
 - redevelop the area
 - close service delivery gaps
 - alleviate poverty

- The renewal project had an estimated budget of R1,3 billion
- Started in 2001 and intended to last seven years
- The project is still ongoing
- The initial business plan was not available at the department.

Bekkersdal renewal project

- Bekkersdal falls under the jurisdiction of the former Westonaria Local Municipality*
- The Bekkersdal project was part of the Gauteng Provincial Government's strategy to:
 - create sustainable communities on well-located land
 - build infrastructure closer to work, schools, clinics and access to transport
 - relocate Bekkersdal residents who were located on high-risk dolomitic land (core objective)
- The renewal project had an estimated budget of R1,2 billion
- The renewal project was launched in 2004, with an overall project duration of five years
- The project is still ongoing.

Evaton renewal project

- Evaton falls under the jurisdiction of the Emfuleni Local Municipality
- The Evaton renewal project aimed to:
 - regenerate the community's quality of life
 - uplift infrastructure

* Westonaria Local Municipality was disestablished and merged with Randfontein Local Municipality to create the Rand West City Local Municipality on 3 August 2016.

- support existing small businesses
- develop new entrepreneurs
- create employment for the community
- The renewal project had an estimated budget of R3,7 billion
- Evaton was earmarked as a priority area requiring regeneration in 2004
- The project is still ongoing
- The initial business plan was not available at the department

Winterveldt renewal project

- Winterveldt falls under the jurisdiction of the City of Tshwane Metropolitan Municipality
- The area has a long history of neglect and uncontrolled growth
- The Winterveldt project aimed to:
 - uplift the urban precinct in the City of Tshwane
 - create social, educational, recreational, transportation and engineering infrastructure
- The renewal project had an estimated budget of R4,9 billion for 2010 to 2011
- Initially structured as an eight-year programme of the City of Tshwane Metropolitan Municipality, and then as a six-year renewal project when the Department of Human Settlements became involved in 2008
- The project is still ongoing
- The initial business plan was not available at the department.

3.2 Audit scope

The objective of the performance audit was to determine whether the renewal projects remained focused on the areas prioritised at their initiation. We focused on assessing whether the department had implemented the renewal projects according to the initial objectives.

The performance audit also sought to assess the following sub-focus areas:

- How the Bekkersdal, Alexandra, Winterveldt and Evaton renewal projects had performed
- Whether the renewal projects were implemented according to the initial scope of work
- Whether the scope of the Alexandra, Winterveldt and Evaton renewal projects was the same as that of the Bekkersdal renewal project.

In assessing these sub-focus areas, we observed the way in which the four renewal projects implemented electricity; water and sanitation; roads and storm-water; and housing and building activities. We examined samples of these activities in each of the four projects and concluded on the common issues found in each activity.

In reporting our findings, we have used examples of the issues raised. However, these examples are not exhaustive, but serve to illustrate the common deficiencies noted.



4

**ALEXANDRA
RENEWAL PROJECT**

4.1 Project scope

The Alexandra renewal project (ARP) was intended to redevelop the area, close service delivery gaps and alleviate poverty through the implementation of the projects:

The ARP projects focused on the following:

- | | |
|--|---|
| <ul style="list-style-type: none">• Upgrading existing houses• Developing new houses• Transferring publicly owned housing• Backyard rental accommodation• Redeveloping the hostels• Redeveloping warehouses• Relocating informal dwellers• A school upgrading and development programme• Upgrading Edenvale Hospital | <ul style="list-style-type: none">• Teacher learning centre• Water services and sanitation• Waste management• Electrical services• Repairing damaged roads• Upgrading existing taxi ranks• Developing parks and recreation areas• Upgrading cemeteries |
|--|---|

We assessed an electrification project and building projects, which included houses, flats, a clinic and an emergency disaster centre, all of which had been delivered through the ARP.

4.2 Findings

4.2.1 Project management

a) Document management

The department did not have vital project documentation, such as contracts and progress reports, and was therefore unable to provide the information necessary for our audit.

While the ARP had no project management system to assist in collecting and analysing project and programme information, the Johannesburg Development Agency was appointed to run the project based on their use of the Amex project management system.

Without documents, we were unable to audit the water and sanitation, and roads and storm-water projects, nor the department's procurement.

b) Quality management

While the electrical infrastructure and connections were well constructed, concerns were raised about congestion in the urban area. These conditions led to instances of up to 12 electrical connections to one source and posed the risk of instability in electrical supply, electrocution, high maintenance costs, and challenges to the overall sustainability of the infrastructure.



Picture 1 shows congestion and numerous electrical connections.

4.2.2 Departmental support

The City of Johannesburg and the department funded 83% of the ARP, with the balance being funded by the human settlement fund, the municipal infrastructure grant, the Gauteng Department of Transport and the Gauteng Department of Economic Development. This funding was, however, not sufficient, causing the ARP to constantly review delivery targets.

4.2.3 Recommendations

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

- Establish a proper documentation and filing system to track information and monitor projects
- Implement measures that address overcrowding to plan infrastructure efficiently and avoid congestion
- Ensure that the funding provided is aligned to the objectives of the project.

4.3 Conclusion

Although the ARP was better funded than the other three URPs, the R2,2 billion spent between 2001 and 2012 was still not sufficient. This resulted in some planned project activities not being implemented. We could not assess many project activities because documents were not submitted for auditing. The ARP was able to deliver basic services and 14 000 housing opportunities since the project began in 2001, including mixed tenure in Diepsloot, Bram Fischerville and the Greater Alexandra area.

Contributors to the achievements of the Alexandra renewal project

Effective co-funding



The Alexandra renewal project was able to confirm that cooperation was received from other departments and other government structures. The Gauteng departments of Transport and Economic Development, as well as the City of Johannesburg, committed to and co-funded the Alexandra renewal project.

Clear stakeholder agreements



Clear roles and responsibilities were identified, ensuring that the projects were effectively implemented, e.g. water and sanitation projects were implemented by Joburg Water; electricity projects by City Power; roads and storm-water projects by the Johannesburg Roads Agency and housing by the City of Johannesburg and the Johannesburg Social Housing Company.

Viable funding model



The funding for the Alexandra renewal project was ring-fenced between 2001 and 2012, which provided assurance that the projects would be funded.

Streamlining of deliverables



Deliverables were streamlined by the effective operation of the business plan and by assigning different stakeholders to the relevant service delivery components.

Availability of a dedicated team



A memorandum of understanding was signed by the City of Johannesburg and the Gauteng Department of Human Settlements to manage the Alexandra renewal project as one programme. A team comprising municipal and departmental staff was appointed to manage the project, which was then managed by a single director. The director reported to a joint administrative committee made up of municipal and departmental staff.



5

**BEKKERSDAL
RENEWAL PROJECT**

5.1 Project scope

The Bekkersdal renewal project's (BRP) core objective was to relocate Bekkersdal residents from the high-risk dolomitic land that they occupied. The project was also meant to achieve the province's objective of locating communities on well-located land, building infrastructure closer to work, schools and clinics, and providing access to transport.

Bekkersdal scope of work	
1. Planning	<ul style="list-style-type: none"> Central business district (CBD) upgrade (year 1 extension) Level 2 household survey Bekkersdal incorporation Precinct plans Final spatial development framework Densification policy and review
2. Engineering	<ul style="list-style-type: none"> Extension of road network Public lighting Sanitation leakage audit and repairs Water leak prevention Lighting programme Waste removal programme and continuation of short-term waste management Transportation plan
3. Environmental	<ul style="list-style-type: none"> Managing and monitoring Waste management and monitoring Water resources management and pollution monitoring Conservation and rehabilitation of Donaldson dam Monitoring and management of dolomitic risk
4. Geotechnical	<ul style="list-style-type: none"> Geotechnical investigations for bulk services components Monitoring and management of dolomitic risk Geotechnical investigation for higher-order facilities
5. Housing	<ul style="list-style-type: none"> Relocating road Updating housing registration database Bekkersdal housing strategy Bekkersdal formal backyard shack strategy Auditing structures affected by violence Hostel ownership conversion business plan

6. Economic	<ul style="list-style-type: none"> Mining linkages programme Small, medium and micro-sized enterprises tourism support programme Local business support centre Small business hive development Busy Bee flagship Donaldson dam art and recreation project Business improvement district Bekkersdal formal CBD high street Economic strategy for CBD precinct CBD investment brokering
7. Agricultural	<ul style="list-style-type: none"> Rural development Farmer support programme, small-scale farming, farmer settlement and commercial farming
8. Social development	<ul style="list-style-type: none"> Upgrading east and west clinics Social development needs assessment Establishment of new cemetery Subsistence food and nutrition programme Bekkersdal resettlement policy and strategy Education soft core intervention Sports against crime
9. Safety and security	<ul style="list-style-type: none"> Invasion monitoring and control Establishing a command centre Upgrading police station, trauma centre and Bekkersdal emergency services
10. Communication	<ul style="list-style-type: none"> Project launch Implementing data hub Media and public relations programme Website management Communication strategy Archiving Renewal office business plan

We assessed electricity, water and sanitation, roads and storm-water and community building projects. The community buildings included clinics, a police station, and a multi-purpose centre that had been reduced to rubble by the community during service delivery protests.

5.2 Findings

5.2.1 Project planning

a) Needs analysis

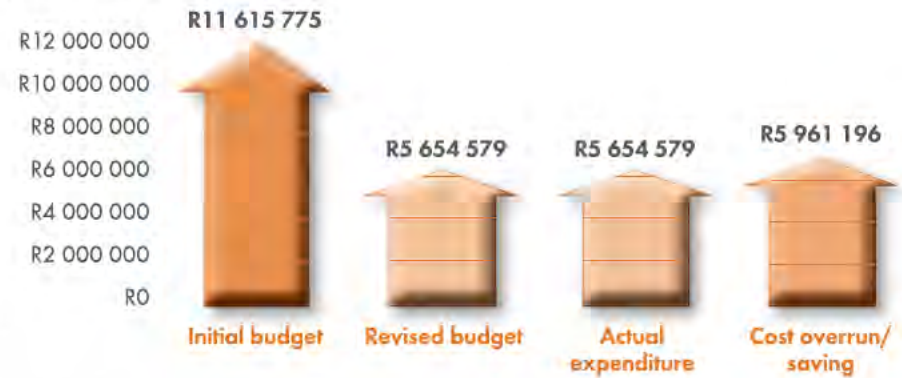
Increases in the scope of activities were the result of poor needs determinations. The costs associated with variations could have been lower had all the aspects of a proper needs determination been included in the contract.

The department approved two extensions and appointed service providers for four months to cover the period of the extension. However, as the total time extension was only 59 days, the costs incurred in the last two months were unnecessary. In another case, a gravel road upgrade and the installation of water, electrical and sewerage services were done through a variation order, as these were not included in the initial scope of work.

b) Cost estimation

Poor cost estimation led to an activity amounting to approximately 50% less than the department's initial budget, as illustrated in figure 1.

Figure 1: Cost of construction



The difference between the budgeted amount and the actual construction amount also pointed to inadequate budgeting processes and project planning at the department.

In some cases, infrastructure had started to deteriorate and manholes ran dry because the infrastructure had not been used for the past six years. Due to a lack of planning, the houses that would link to this infrastructure were not constructed, as the department had not budgeted for it. The timelines for completing the bulk infrastructure should have been aligned to the construction of houses. If this delay in building houses is not addressed, the existing infrastructure will further deteriorate. Pictures 2 and 3 indicate the condition of a project at the time of our site visit.



Picture 2: Debris in the dry unused manholes



Picture 3: Manholes starting to deteriorate

5.2.2 Project management

a) Document management

The unavailability of information posed a challenge to understanding the issues and activities of the project. These included the absence of:

- payment certificates
- close-out documents
- design-related information – in some cases only the conceptual layout drawings were provided
- financial information.

Inadequate document management was exacerbated by the department not having an effective internal process to track and monitor the various project activities implemented. Without the proper documentation, we could not:

- evaluate some aspects of the project cycle
- assess designs and the scope of work

- determine how the budget had been spent
- determine the reasons for overspending
- determine whether payments were made properly according to regulations.

Project activities that were not closely monitored were exposed to risks that affected delivery.

b) Time management

The department did not manage the scheduled and economical implementation of activities. The completion of activities was therefore often delayed by a year, with one activity still not completed after eight years. These delays were mainly due to:

- delays in approving variation orders or extensions. On one activity, a requested time extension of 24 days to 17 May 2013, was only approved on 22 May 2013.
- the department's budget constraints. An activity's implementation was delayed by more than a year because the department did not make sufficient budget available.
- the fact that department did not penalise the contractors as stipulated in their contracts or supply chain policies.
- action not being taken against contractors for poor delivery; instead extensions were granted or the contracts of non-performing contractors were terminated.
- disruptions such as protests, delays in new appointments and bad weather.

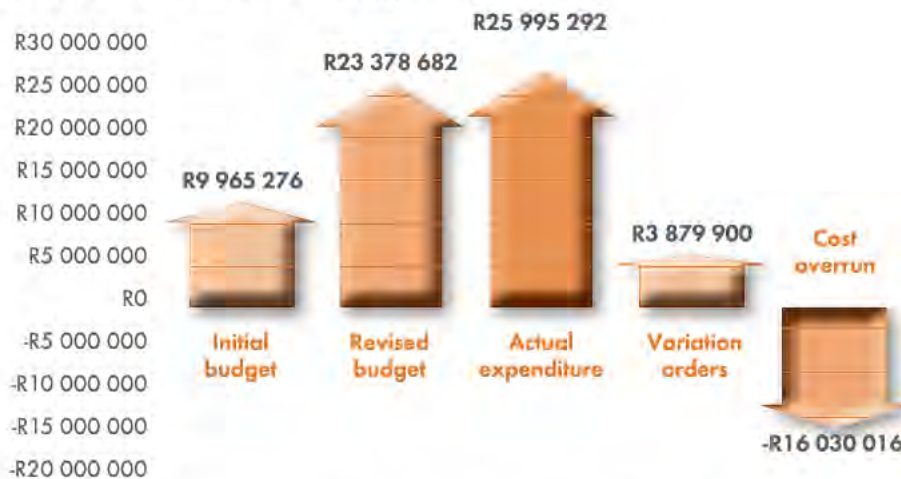
Communication and interaction with communities were not always efficient, which sometimes led to community protests.

The department's expenditure to address the consequences of these delays, such as time extensions, increases in scope and a failure to deliver, was uneconomical and could have been avoided had activities been planned properly and completed on time.

c) Cost management

The cost of activities increased, often due to poor cost management. Cost management would include planning and budgeting for activities. An activity was stopped in January 2009 due to insufficient funding. When the project was reinstated in March 2011, the final cost increased from an initial R10 million to R26 million, as depicted in figure 2.

Figure 2: Cost of unblocking and upgrading



In addition, these systems were repaired continually where plans to upgrade the bulk infrastructure would render the repairs obsolete.

A website was developed at a cost of R1,9 million; however, the website was not operational. This was not an effective use of funds to achieve the project's objectives.

d) Supply chain management

The supply chain management (SCM) guide for accounting officers stipulates that, if justified in exceptional circumstances, an extension of bid validity could be requested in writing from all bidders before the initial bid validity expires. Some contracts were only finalised after the bids had expired. There was no evidence that potential bidders were asked to extend their bid validity periods.

National Treasury practice note 8 of 2007-08, paragraph 3.4 states that, accounting officers/authorities should invite competitive bids for all procurement above R500 000 (Vat included). The department failed to adhere to this practice note when it reappointed a contractor for a new contract valued at R21,6 million. Considering the value of the contract, a competitive bidding process should have been followed. By not doing so, the department could not ensure that the contract was cost-effective.

Treasury regulation 16A3.2(a) states that an SCM system must be fair, equitable, transparent, competitive and cost-effective. The department appointed a service provider despite the contractor not having adequate cash flow to deliver on the contract. In another instance, a contractor was selected despite not being on the shortlist of qualifying bidders evaluated in terms of functionality and price, which constituted non-compliance with this regulation as it was not cost-effective, transparent, competitive or fair.

A departmental acquisition council (DAC) memo noted the expenditure on a contract as apparently R5 493 169. The DAC's final recommendation to reappoint a contractor without knowing the exact amount previously paid to the contractor constituted a lack of sound financial management.

The contravention of SCM regulations and guidelines and sound financial management principles led to activities not being cost-effective and competitive, and raised the risk of improper conduct. However, we were unable to determine the reasons for the department's failure to follow processes as we had not received the proper documentation.

e) Quality management

Construction was, in some cases, of good and consistent quality. However, in a number of cases, we observed significant failures in construction, such as:

- potholes and poor attempts at repair, as is evident in picture 4
- poor drainage, worsened by vegetation, refuse and debris blocking storm-water inlets, which allowed water into the pavement's structural layers and caused flooding (pictures 5 and 6)
- mechanical damage to speed humps, which were scraped by the bottom of vehicles, as they were higher than the generally accepted standard (picture 7)
- road markings had faded long before they would have had materials of good quality been used (picture 8)
- work done on a gravel road no longer being visible as the road had degraded over time due to a lack of maintenance (picture 9)

- defective concrete in the case of approximately 15% of the manholes that we opened and inspected (picture 10)
- paving and edge beams that had been removed or were not properly reset, exposing the sub-layer and causing damage (pictures 11 and 12)
- the fact that the extent of work could not be confirmed as there were no designs.



Picture 4: Poor patch repair and pothole



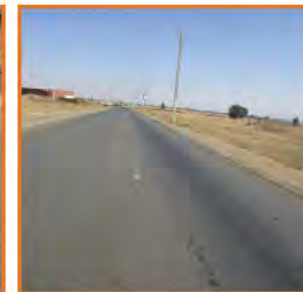
Picture 5: Sunken and partially blocked kerb inlet



Picture 6: Storm-water crossing above the paved sidewalk



Picture 7: Mechanical damage on speed hump



Picture 8: Faded centreline marking



Picture 9: Gravel road covered in vegetation



Picture 10: Cracks on the concrete apron



Picture 11: Poorly reinstated paving



Picture 12: Missing paving

In some places, the community had damaged or removed the infrastructure provided, for example an entire section of the sidewalk was stripped and lights were not functional as 90% of the wires and light fittings had been stolen. This was because, while the material used for the lighting structure was cost-effective and would require less maintenance, it was not appropriate for the area, as exposed wiring was an easy target for theft.



Picture 16: Vandalised wiring



Picture 17: Poles without light fittings

Other challenges included:

- material left exposed and therefore becoming unusable
- refuse and debris accumulating at the canal leading to and from an attenuation pond, reducing the capacity of these structures to accommodate the storm-water discharge
- the difficulty in assessing which manholes had been upgraded and repaired, as these activities improved the existing infrastructure.

f) Environmental impact

Environmental concerns were observed during site visits. Raw sewage flowed from blocked manholes into people's yards and onto the street. The spillage and blockages were the result of a lack of frequent maintenance or an increase in population in the area, with residents competing for the same infrastructure. The raw sewage exposed the community to unhygienic conditions, which posed health risks.



Picture 13: Exposed reinforcement steel



Picture 14: Destroyed multi-purpose centre



Picture 15: Section of missing paving



Picture 18: Raw sewage flowing from a manhole



Picture 19: Raw sewage flowing into street

The department could not adequately monitor activities to ensure that they were completed within their time frames, budgets and specifications. This was mainly because they did not have internal processes to monitor activities and had difficulty retrieving project information. Project managers did not have systems to track their activities. The lack of information also meant that financial loss could not be quantified and work could not be assessed.

5.2.3 Departmental support

A total of R1,2 billion was budgeted from 2003-04 to 2007-08 for this project; however, only 36% of this amount (R440 million) was provided to implement projects. This lack of financial support led to activities being delayed or not implemented. For example, a contractor was appointed in January 2009, but could not start with the project because of a lack of funding. The project eventually began in April 2010 with a reduced scope because of the budget constraints.

5.2.4 Departmental cooperation

The department failed to ensure that other sector departments had sufficient budget available and the necessary capacity to manage or formalised commitments for their relevant projects prior to appointing service providers. This led to projects being suspended when the department could not honour their financial commitments to contractors. There were also additional costs because contractors were instructed to remain on site while the project was at a standstill.

5.3 Recommendations

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

Project planning

- Enhance the methods employed for project scoping prior to commencing the project. This will avoid delays, variation orders, extensions and cost escalations.
- Establish better cost estimation practices before project implementation. This will ensure that sufficient budget is available when payments are due and that funds are not unnecessarily allocated to projects that require less funding.
- Align activities that are interdependent to avoid infrastructure not being usable.

Project management

- Establish a proper documentation and filing system to track information and monitor projects. This will ensure that all project information is available on the project files.
- Ensure that standard project documents such as designs are approved by the relevant authorities and properly archived. This will enable easy access to the documents for information on maintenance, upgrades and refurbishing infrastructure.
- Monitor the time and cost of projects to reduce delays and overspending.
- Adhere to the SCM regulations and guidelines to ensure that procurement is fair, competitive, economical, efficient and effective.
- Ensure that construction meets the standards set and that quality material is used.
- Project managers must track activities to ensure that contractors deliver on their contracts and that maintenance is carried out in time.
- Repair the damaged, stolen and vandalised infrastructure to ensure that it is usable.
- Remove the rubble and debris from the vandalised buildings and after construction to avoid harming the community.
- Complete the houses planned. This will prevent the deterioration of infrastructure.
- Consider the nature and socio-economic conditions of an area when deciding on the type of infrastructure to install to avoid loss due to vandalism and theft.

Departmental support

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

Departmental cooperation

- Only enter into contracts after ensuring that funding has been made available by the relevant sector departments.
- Formalise commitments made by the relevant sector departments to ensure that they have the capacity and funding for their projects.

5.4 Conclusion

There was no evidence that houses had been built since the inception of the project even though there was a plan to build houses in Simunye for the Bekkersdal community. A link road and bridge were under construction at the time of the audit to connect Bekkersdal to the Simunye site, which had been identified for housing development. Bulk infrastructure had already been constructed but remained unused six years later because the department had not started to build houses. As a result of being unused, the bulk infrastructure had started to deteriorate because the community could not access the services. At the end of the audit it was still unclear whether the department intended to build these houses, as plans were not available.



6

**EVATON
RENEWAL PROJECT**

6.1 Project scope

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

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

6.2 Findings

6.2.1 Project planning

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

6.2.2 Project management

a) Document management

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

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

b) Time management

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

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

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

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

c) Cost management

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

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



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

d) Supply chain management

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

The department also approved variation orders in contravention of regulations:

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

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

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

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

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

The bid adjudication committee must ensure that:

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

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

e) Quality management

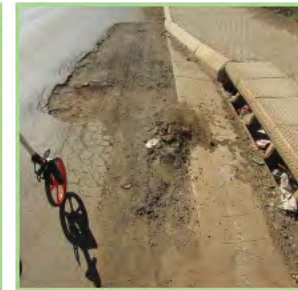
Inadequate drainage systems and poor road construction led to visible signs of distress along the road surfaces and water entering the structural layers (pictures 20, 21 and 22).

Structural distress included the following:

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



Picture 20: Sign of distress



Picture 21: Severe structural damage



Picture 22: Visible structural failure



Picture 23: Blocked kerb inlet



Picture 24: Closed kerb inlet



Picture 25: Surface breakdown



Picture 26: Ponding water

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



Picture 27: Poorly constructed speed hump



Picture 28: Deformation of paving



Picture 29: Vegetation growth on sidewalk

f) Environmental impact

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

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



Picture 30: Solid waste thrown into open manholes



Picture 31: Exposed excavation



Picture 32: Raw sewage flowing from the existing sewer line

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



Picture 33: Ponding water on gravel road



Picture 34: Poor construction of surface joint



Picture 35: Poor grading and finishing

6.2.3 Departmental support

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

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

Table 4: Funding for ERP

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

6.2.4 Departmental cooperation

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



Picture 36: Illegal dumping

6.3 Recommendations

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

Project planning

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

Project management

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

Departmental support

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

Departmental cooperation

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

6.4 Conclusion

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



7

**WINTERVELDT
RENEWAL PROJECT**

7.1 Project scope

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

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

Table 5: Winterveldt renewal project housing plan

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

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

7.2 Findings

7.2.1 Project management

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

7.2.2 Departmental support

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

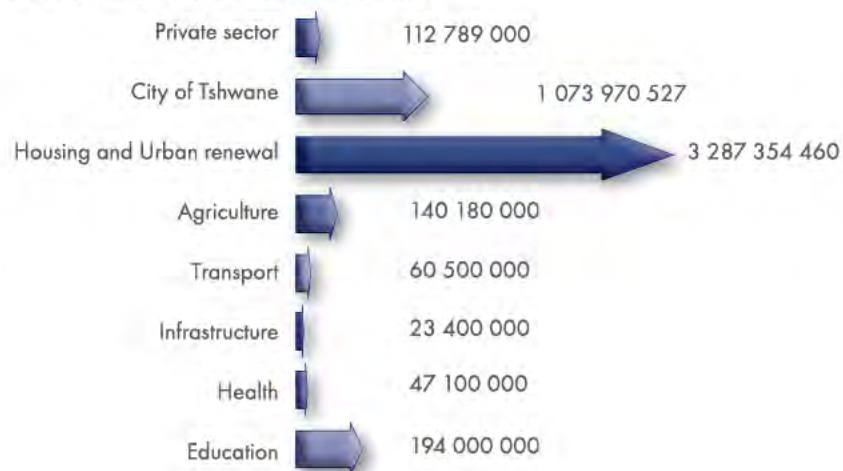
Table 6: Budget required vs funding allocated

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

7.2.3 Departmental cooperation

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

Figure 3: Funding as per business plan (R)



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

7.3 Recommendations

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

Project management

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

Departmental support

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

Departmental cooperation

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

7.4 Conclusion

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



8

HOUSING & BUILDINGS

8.1 Findings

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

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

a) Document management

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

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

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

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

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

b) Quality management

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

c) Number of houses and housing opportunities provided

Bekkersdal renewal project

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

Winterveldt renewal project

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

Table 7: Houses constructed for WRP

Institution	Location	Number of houses completed
City of Tshwane	Winterveldt extension 3 phase 1	2 060
Department	Winterveldt extension 3 phase 1	679
Department	Winterveldt extension 3 phase 2	1 739
Department	Slovoville	130
Total		4 608

Evaton renewal project

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

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

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

8.2 Recommendations

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

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





9

PERFORMANCE AUDITING

9.1 Auditing concepts and approach

9.1.1 Background

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

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

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

9.1.2 Audit approach

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

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

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

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

9.2 Mandate

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

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

9.3 Purpose of performance auditing

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

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

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

9.4 Advantages of performance auditing

Performance auditing benefits government by:

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

9.4.1 Promoting good governance, accountability and transparency

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

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

9.4.2 Creating mechanisms for change and improvement

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



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

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

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

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

9.5 Difference between performance auditing and other types of auditing

The three recognised types of government auditing are:

- financial auditing
- performance auditing
- compliance auditing.

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

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

9.6 Performance audit process

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

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

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

9.6.1 Focus areas and key audit questions

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

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

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

9.6.2 Audit criteria

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

To determine whether the urban renewal projects are adequately planned

Needs determination should be performed

Planning for the projects should be done effectively

Projects should be prioritised in line with the needs and objectives

Costing should be done for each project in the business plan

The scope determination of the URP should be properly defined

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

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

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

Projects should be implemented effectively, efficiently and economically

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

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

Effective project management and monitoring should be performed by the department

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

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

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

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

To determine whether contracts were properly managed

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



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