



AUDITOR-GENERAL
SOUTH AFRICA

Special audit of the rural household infrastructure grant and rural household infrastructure programme

JUNE 2015



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SOUTH AFRICA

OUR REPUTATION PROMISE/MISSION

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By Authority



SPECIAL AUDIT

An assessment for further analysis with a restricted, narrow scope based on the receipt of a request or complaint, which the auditor-general will carry out if he considers it to be in the public interest.

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FOREWORD

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I am pleased to present the outcomes of the special audit of the rural household infrastructure grant and rural household infrastructure programme at the Department of Human Settlement.

The special audit was undertaken after deliberating on the terms of reference provided by the portfolio committee and the minister of human settlements to address their concerns on the administration of the rural household infrastructure programme. This audit emanated from in-year monitoring that was done by the portfolio committee on human settlements, while exercising its oversight role.

This audit is in line with the Auditor-General of South Africa's drive to do more infrastructure audits given the increasing investment that government has made in physical infrastructure. The process followed is in line with our efforts to highlight infrastructure challenges in previous performance audits on infrastructure delivery,

such as the performance audits on health and education.

We found that the proper processes were not adhered to in the awarding of contracts to the management consultant, the implementing agents and additional contractors. Furthermore, even though the department had contracted a project management company to manage the programme, the rural household infrastructure programme was not properly managed. The inefficiency in project management was evident during the implementation, where ventilated improved pit toilets were not always built according to the approved standards and the expenditure on the rural household infrastructure grant was not linked to the actual delivery of the ventilated improved pit toilets.

We shared the outcomes of this audit with the management of the department that has committed to addressing the findings and recommendations identified



We found that the proper processes were not followed when awarding contracts to the management consultant, the implementing agents and additional contractors

in this report. The portfolio committee and the minister welcomed the report and findings that will serve to enrich their oversight.

I would also like to thank the staff of the Department of Human Settlements for the assistance offered to the audit team during the audit.

Auditor-General

Auditor-General of South Africa
Pretoria
June 2015



EXECUTIVE SUMMARY

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Between 2010 and 2013, the department budgeted R1,2 billion to eradicate the backlog of access to water and sanitation for all households by December 2014. However, the department only spent R501,4 million over these three financial years.

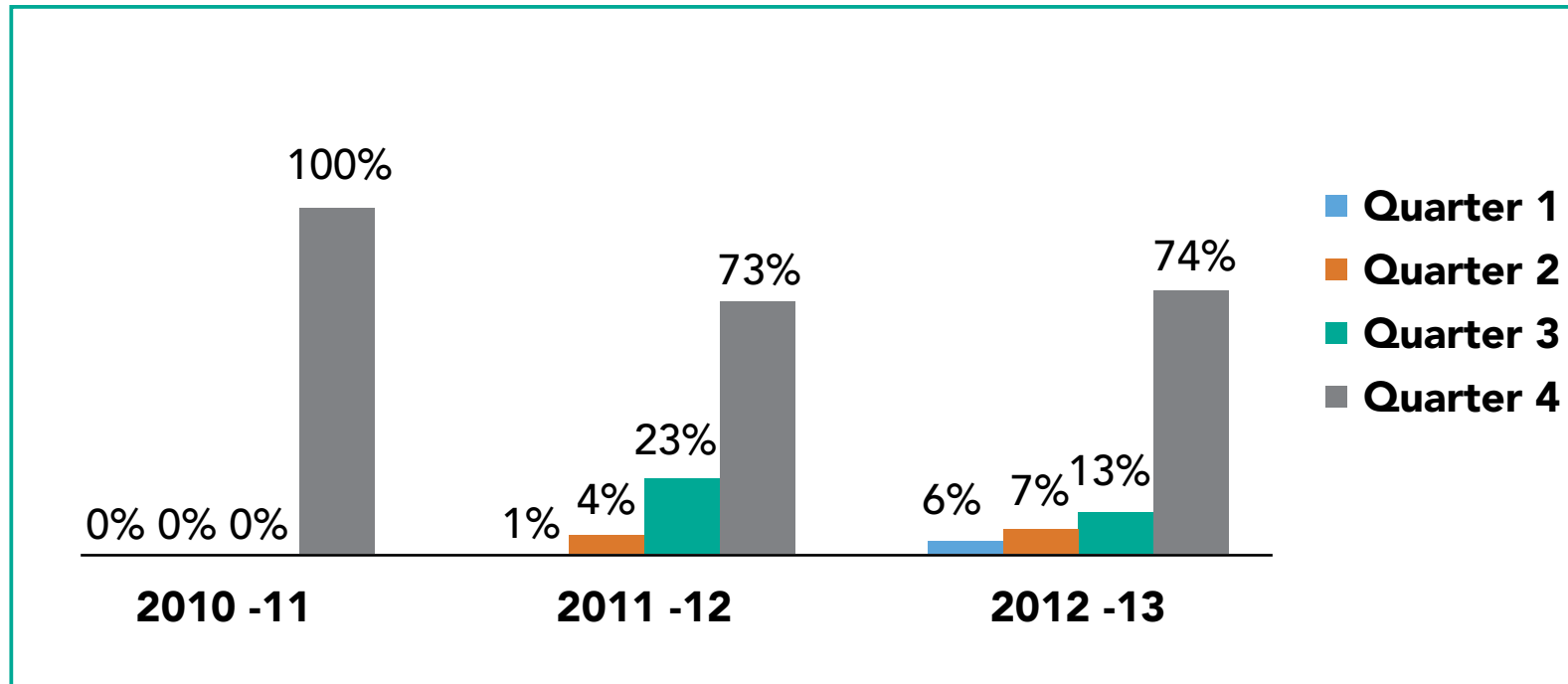
The following deficiencies contributed to the department not achieving its goal:

- We identified weaknesses in the procurement processes of the management consultant that had to assist the department with its capacity problems. In addition, red flags pointed to possible anti-competitive and collusive behaviour between implementing agents and other service providers that were appointed.
- The management consultant did not demonstrate an ability to effectively manage the rural household infrastructure programme. Inconsistencies in the performance of implementing agents were not addressed in time and instances of non-compliance with standards were found.
- Limited expenditure was incurred during the first three quarters of the financial year of the project span. The pattern of expenditure was 100% during the last quarter in 2010-11, 72,6% in 2011-12 and 74,4% in 2012-13. This pattern is indicative of poor planning that impacted on service delivery.



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Figure 1: Quarterly expenditure for the three financial years





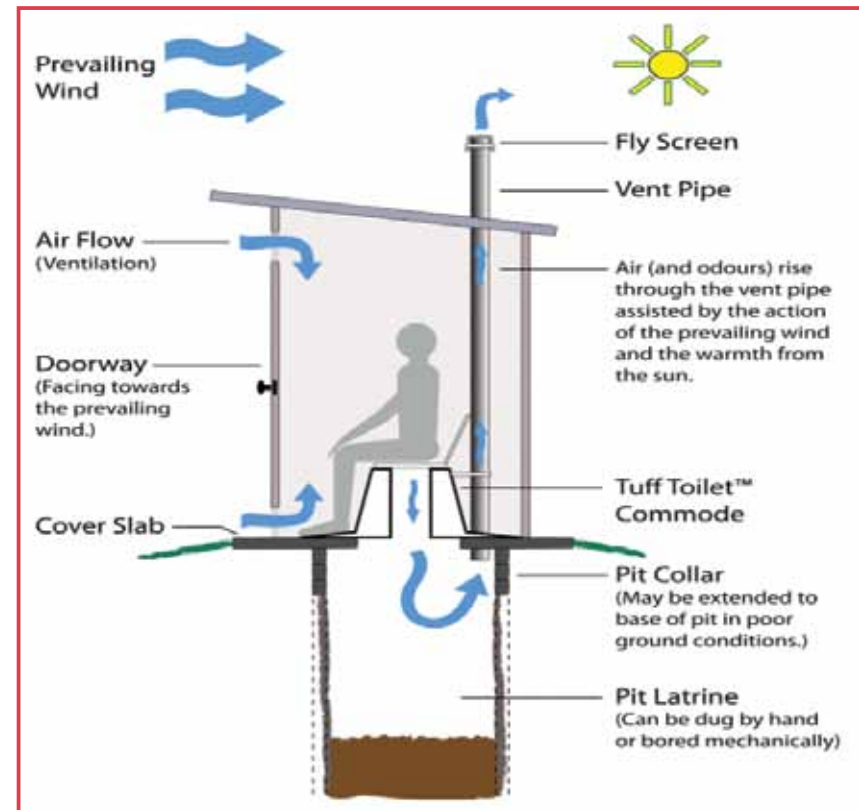
OVERVIEW

OVERVIEW

The quality and availability of sanitation services are of great importance to human dignity, the quality of life and living standards. According to Statistics South Africa, 2,6 million households still do not have access to basic sanitation services. It was the government's objective to eradicate this backlog of access to water and basic sanitation for all households by December 2014.

The rural household infrastructure programme (RHIP) was established as a tool to support Water Services Authorities in accelerating the delivery of basic services to households at rural municipalities. In 2010, the Department of Human Settlements established the rural household infrastructure grant (RHIG) to increase the rate of delivery on the programme. To achieve the 2014 target, the department used the RHIG to implement the RHIP on behalf of 57 identified municipalities. The RHIG was used to build ventilated improved pit (VIP) toilets in seven rural provinces. These VIP toilets were to be built according to the South African National Standards (SANS). Figure 2 is an illustration of how a VIP toilet should be constructed. The required specifications are provided in detail in annexure A to this report.

Figure 2: Ventilated improved pit toilet
(source: www.bellatrines.co.nz)

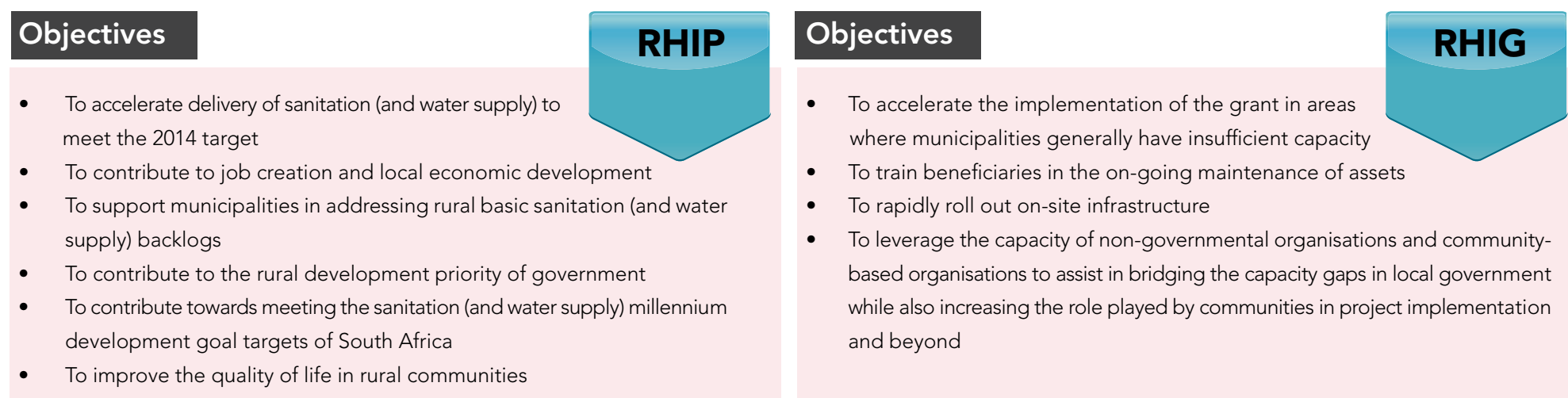


The quality and availability of sanitation services are of great importance to human dignity, the quality of life and living standards. According to Statistics South Africa, 2,6 million households still do not have access to basic sanitation services. It was the government's objective to eradicate this backlog of access to water and basic sanitation for all households by December 2014.

The grant was envisaged to be spent over three financial years (2010-11, 2011-12 and 2012-13). The total expenditure for this period amounted to R501,4 million, while the initial budget was R1,2 billion as per schedule 5B of the Division of Revenue Act, (Act No. 1 of 2010). The allocation would change to schedule 7 of the Division of Revenue Act in the 2014-15 financial year.

Figure 3 provides the objectives of the RHIP and RHIG.

Figure 3: Objectives of rural household infrastructure programme and rural household infrastructure grant




Before 2010, basic sanitation was provided by municipalities selected as water services authorities, while the department played a facilitation role. When the Department of Human Settlements (department) became directly responsible for fast-tracking the delivery of the RHIP through the RHIG, it had to assess its capacity to manage this programme. Due to the magnitude of the programme and as the department did not have the required capacity, it decided to appoint a management consultant to assist in managing the RHIP. This management consultant was appointed on a


three-year contract, from July 2010 to July 2013, at a total cost of R41,7 million, to oversee the implementation of the programme.


After appointing the management consultant, the department appointed the implementing agents to execute the RHIP and build VIP toilets at 57 municipalities. Individual service level agreements (SLAs) were signed with the department that stated that the implementing agents would also report directly to the department.


AUDIT SCOPE


The minister and portfolio committee on human settlements, while exercising their oversight role, requested the Auditor-General of South Africa (AGSA) to conduct a special audit of the RHIP and RHIG, with specific reference to the following areas of concern:


-  **CONCERN 1** The tender awarded to the management consultant


-  **CONCERN 2** Project management capabilities of all service providers, project managers and officials of the department in the execution of the allocated projects

-  **CONCERN 3** The expenditure patterns of the RHIG

-  **CONCERN 4** Non-compliance with approved standards regarding the construction of the toilet facilities

-  **CONCERN 5** Provision of education and training in the maintenance of sanitation facilities in a cost-effective manner

-  **CONCERN 6** Assessing the performance of the RHIG in delivering on the RHIP

-  **CONCERN 7** The performance of the RHIG tenders in delivering on the objectives of the RHIP, with reference to the tenders awarded to implementing agents and other service providers contracted for the sanitation programme

This audit covered the period 1 April 2010 to 31 March 2013. As part of this audit, we visited 254 sites where the VIP toilets were built. These VIP toilets were located at 26 municipalities in seven provinces – six in KwaZulu Natal, five in Limpopo, two in Mpumalanga, four in North West, one in the Northern Cape, three in the Free State and five in the Eastern Cape. The samples were selected from the asset registers received from the regional sanitation coordinators and the number of local municipalities selected was based on the allocation per province as well as areas of concern pointed out by the portfolio committee chairperson.

The initial sample was 10 VIP toilets per municipality, totalling 260 VIP toilets out of the 42 097 VIP toilets completed and handed over between October 2010 and March 2013. However, the sample was reduced to 254 VIP toilets because the auditor was only able to visit one village (Maqongwana) at Mbizana local municipality, where only four VIP toilets were inspected. The plan was to inspect four VIP toilets at Maqongwana, three at Gcinisizwe and three in Xholobeni. However, the auditor was unable to access the other two villages because the bridge linking the villages had collapsed a few days before the site visit.

KEY FINDINGS

The special audit sought to answer a series of questions to address the areas of concern raised by the portfolio committee and the minister. The following are the key findings arising from the special audit, presented according to each of the seven concerns raised by the portfolio committee and the minister. Our recommendations for corrective action are included to assist the national department and the relevant municipalities to deliver effectively, efficiently and economically on the RHIP. The terms of reference raised the following areas of concern:

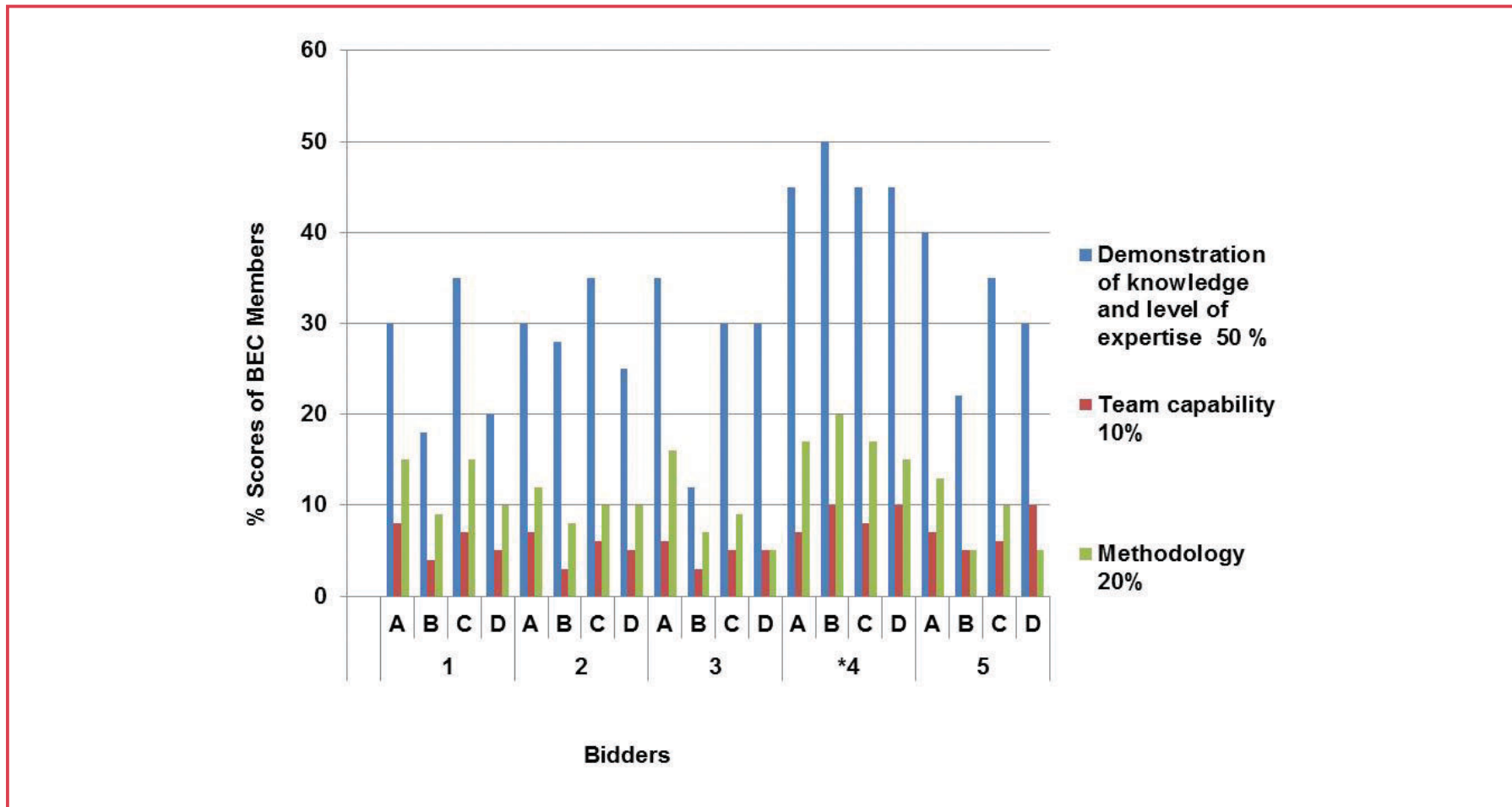
AREAS OF CONCERN		REFERENCE TO THE DETAILED FINDINGS OF THIS REPORT
CONCERN 1:	The tender awarded to the management consultants	Page 42
CONCERN 2:	The project management capability of all service providers, project managers and officials of the Department of Human Settlements to manage and execute the allocated projects	Page 45
CONCERN 3:	The expenditure patterns of the RHIG	Page 49
CONCERN 4:	Non-compliance with approved standards regarding the construction of the toilet facilities	Page 51
CONCERN 5:	Provision of education and training in the maintenance of sanitation facilities in a cost-effective manner	Page 59
CONCERN 6:	Assessing the performance of the RHIG in delivering on the RHIP	Page 60
CONCERN 7:	The performance of the RHIG tender in delivering the objectives of the RHIP, with reference to the tender awarded to company A, company B and other service providers contracted for the sanitation programme	Page 69

CONCERN 1: TENDERS AWARDED TO THE MANAGEMENT CONSULTANTS AND THE IMPLEMENTING AGENTS

a. During the evaluation of the management consultant bids, we noted vast discrepancies in the scores for functionality awarded by the four members of the bid evaluation committee (BEC). Figure 4 shows that member B scored all bidders low scores but gave the winning bidder

(no. 4) full marks for each criterion. As a result, only two bidders were not disqualified on functionality. Moreover, during the evaluation of the additional contractors' bids, one of the members of the bid evaluation committee consistently scored some bidders significantly lower than the other members. This resulted in them being disqualified on functionality.

Figure 4:
Discrepancies in scores awarded by bid evaluation committee members



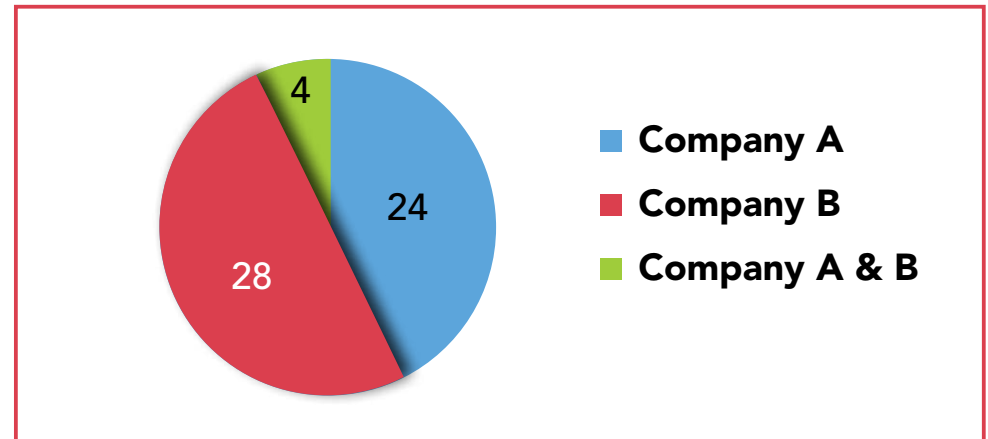
We recommend that the department should ensure that the evaluation criteria for functionality are specific and clear to enable the members of the bid evaluation committee to score bidders in a fair and consistent manner. The department should also ensure that, in the event of vast discrepancies in the values awarded for each criterion, a written motivation is requested from the chairperson of the bid evaluation committee.

- b. The department did not take the results of the background and security screening into consideration when the management consultant, companies A and B and the additional contractors were appointed. The department put itself at risk by appointing service providers to implement a R1 billion programme when they either had judgements against them, or had problems with funding their operations. Consequently, the department had to approve an advance to company B less than a month after it was appointed.

We recommend that the department should wait until it receives the results of background and security screening by the State Security Agency (SSA) before awarding contracts to successful bidders. If this is not possible, a penalty clause should be included in the contract to protect the department in the event of a negative outcome from the SSA. Alternatively, the department should reconsider whether this form of screening adds value and is still necessary since little reliance has been placed on the SSA results in the past.

- c. We identified red flags pointing to possible anti-competitive and collusive behaviour between companies A and B (possibly to divide the market). As a result, they submitted complementary bids that had only four municipalities in common.

Figure 5: Difference between municipalities selected by companies A and B



We recommend that the department should investigate the possibility of a contravention of the Competition Act, 1998 (Act No. 89 of 1998) by these bidders and, if necessary, refer the matter to the Competition Commission.

CONCERN 2: PROJECT MANAGEMENT CAPABILITIES OF ALL SERVICE PROVIDERS, PROJECT MANAGERS AND OFFICIALS OF THE DEPARTMENT IN THE EXECUTION OF THE ALLOCATED PROJECTS

- a. The management consultant did not demonstrate an ability to effectively manage the RHIP. We noted the following:
 - There were inconsistencies in the performance of implementing agents, which were not addressed in time.
 - There were instances of non-compliance with standards in the construction of VIP toilets, which were not addressed.

¹ The regional sanitation coordinators are seven employees of the department that were appointed to run the sanitation programme in the seven provinces where the RHIP is implemented

- There were complaints about contractors not being paid by company B, which were not addressed.
- There was no evidence that the management consultant had checked the work and ensured that the toilets were built according to specifications.

As a result, toilets of poor quality were certified as complete and were not rectified by implementing agents.

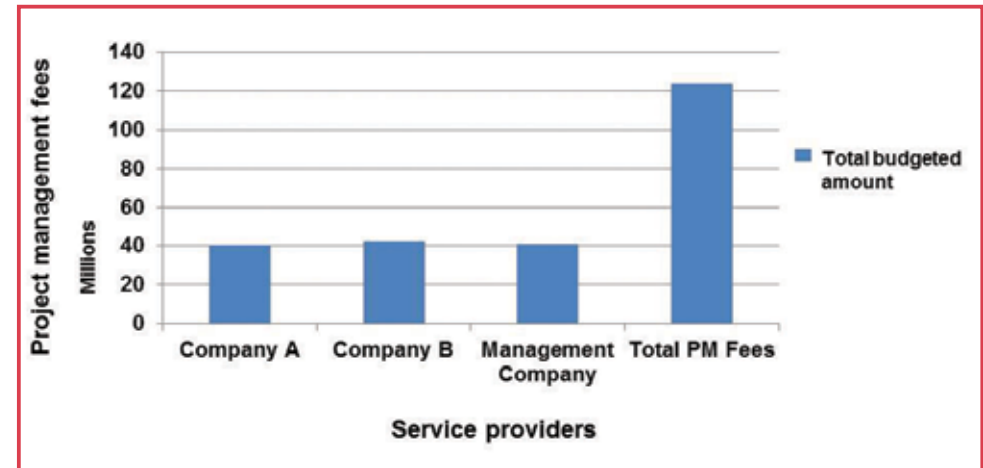
b. The management consultant was more concerned with coordinating project documentation than with project management and monitoring, in the implementation phase of the RHIP. It used information provided by the department's regional sanitation coordinators to compile asset registers. As a result, it only reported on the number of VIP toilets completed and in progress per financial year. However, it did not track that incomplete toilets at the end of a financial year were completed during the following financial year.

c. There was a duplication of project management functions, which led to a lack of accountability from the management consultant. As a result, in the 2011-12 and 2012-13 financial years most of the project management functions within the RHIP were performed by the regional sanitation coordinators. Nonetheless, R39,5 million was paid to the management consultant between the 2010-11 and 2012-13 financial years. The department paid project management fees to the two implementing agents and the management consultant.

Furthermore, there were no clear reporting lines established between the implementing agents and the management consultant, which resulted in a lack of accountability from the management consultant.

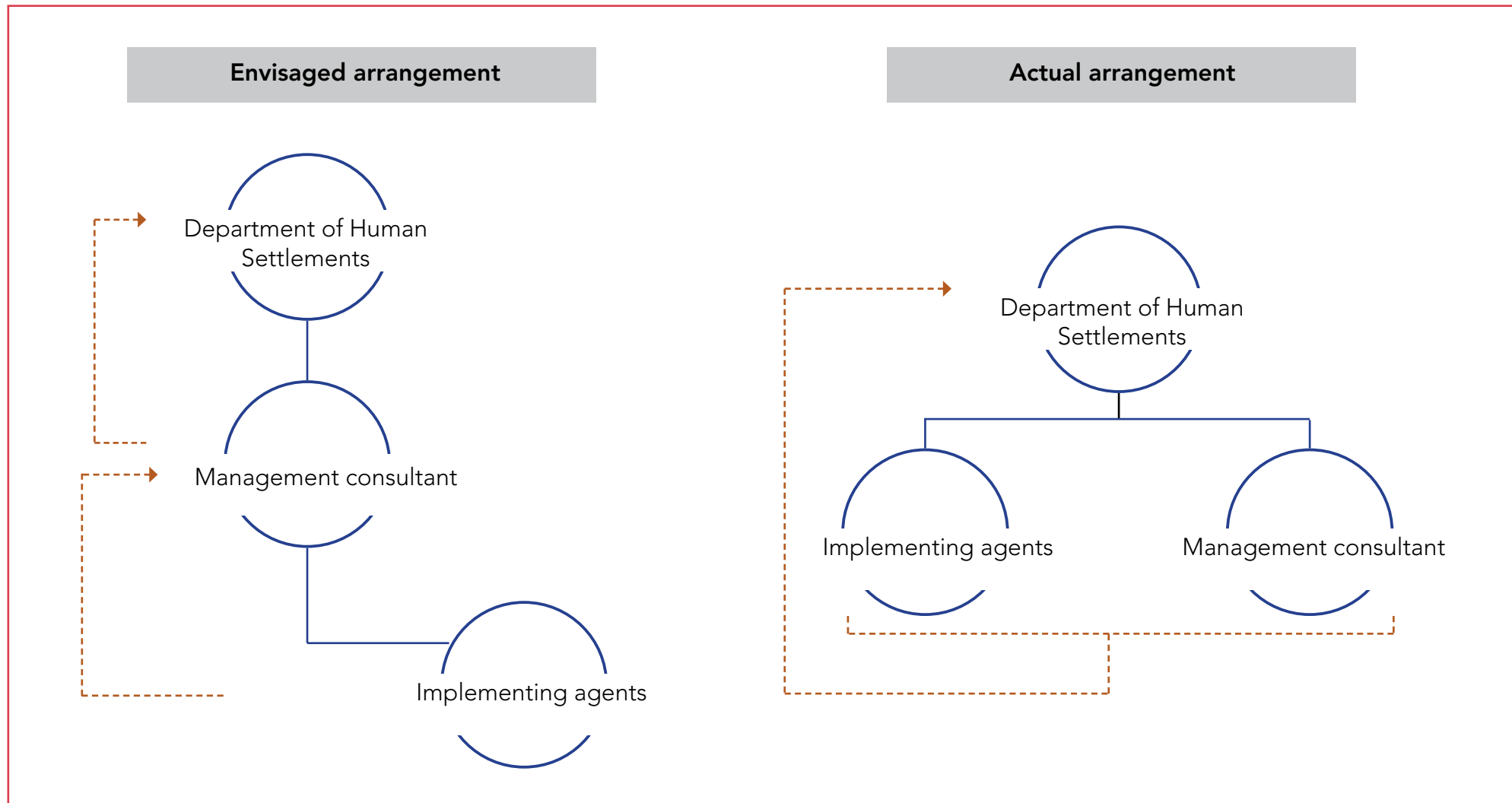
During the three financial years, the department paid the regional sanitation coordinators and the management consultant to perform the same function in the RHIP. The functions of the management consultant and the regional sanitation coordinators were not clearly defined to ensure that there was a distinction in their roles. The implementing agents were also responsible for managing the RHIP, but throughout the project each party reported directly to the department.

Figure 6: Project management fees



² The regional sanitation coordinators are seven employees of the department that were appointed to run the sanitation programme in the seven provinces where the RHIP is implemented

Figure 7: Envisaged versus actual arrangement between department, management consultant and implementing agents

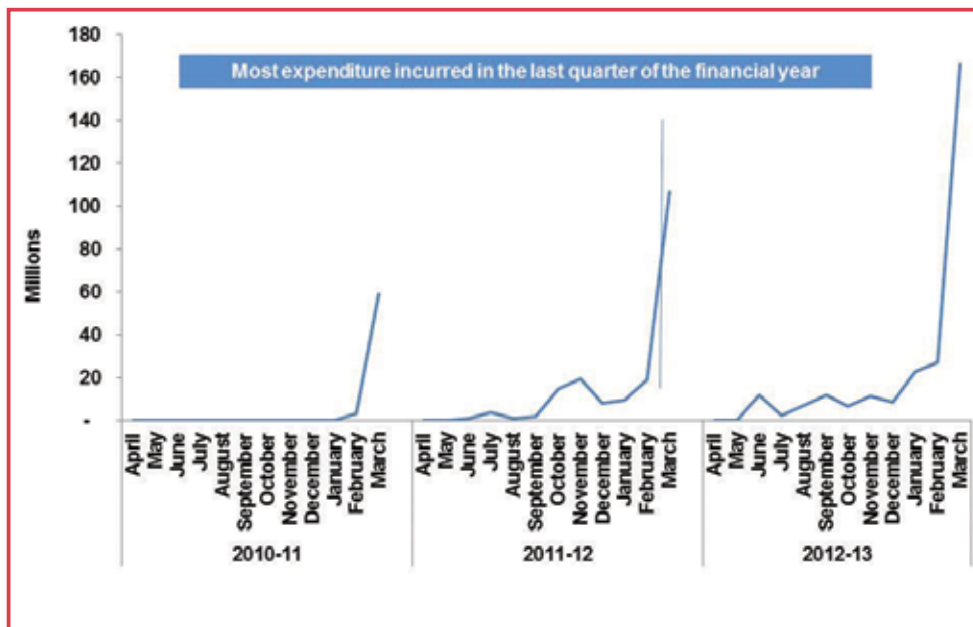


We recommend that the department should determine why a management consultant was appointed if the regional sanitation coordinators were able to perform this function. The department should also determine who is responsible for it not receiving value for money from the management consultant's appointment and for not receiving the services it paid for.

CONCERN 3: THE EXPENDITURE PATTERNS OF THE RURAL HOUSEHOLD INFRASTRUCTURE GRANT

a. No expenditure was incurred during the months of April and May in the 2011-12 and 2012-13 financial years. Furthermore, more than 70% of the claims were submitted for payment by implementing agents in the last quarter of each of these financial years, as indicated in figure 8. This could be an indication of systematic challenges in the department resulting from inefficiencies in financial planning and proper target setting.

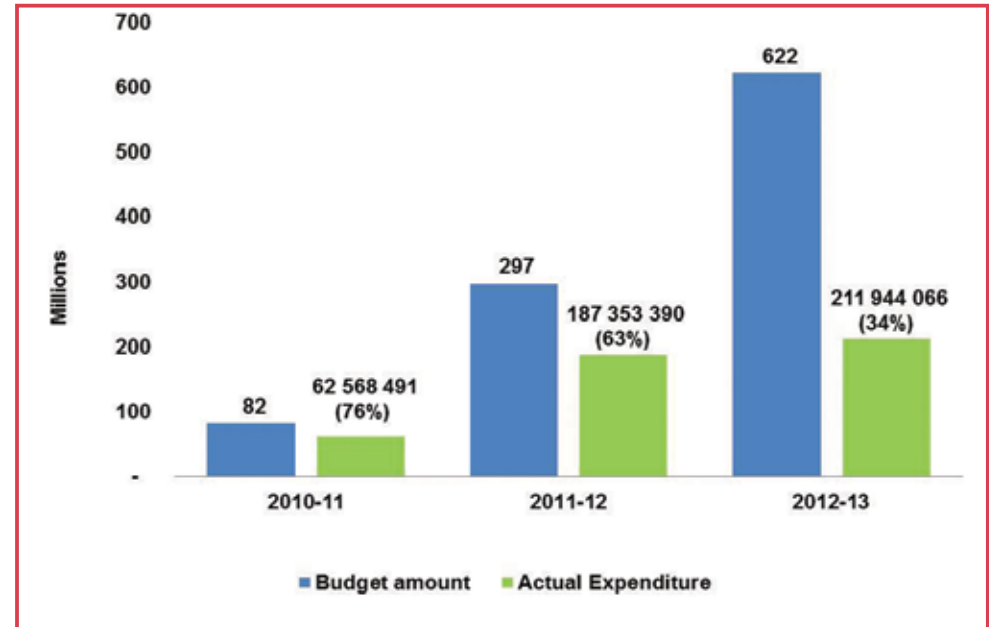
Figure 8: Rural household infrastructure grant expenditure trends from 2010 to 2013



We recommend that the department should review expenditure submitted for payment by implementing agents against monthly and/or quarterly progress reports to ensure that payments made are valid and toilets have been constructed.

b. There was no correlation between payments made to the implementing agents and the management consultant. While 95% of the total budget allocated to the management consultant was paid to it between July 2010 and March 2013, only 46% of the allocated budget was spent on building VIP toilets during this same period. The budget set aside for the implementing agents is compared to their actual expenditure in figure 9. It is thus questionable whether the department received value for money from the management consultant.

Figure 9: Actual expenditure versus budget on the rural household infrastructure grant from 2010-11 to 2012-13 for company A and company B



We recommend that the department should determine why 95% of the management consultant's project management fees were paid when its performance was inadequate.

c. Although it did not always perform its duties, and the RHIP was not performing well, the management consultant was paid R39,5 million in project management fees.

We recommend that the department should link all future project management payments to actual deliverables. This will ensure that the appointed project management company is accountable and has a vested interest in ensuring that the RHIP is successfully implemented.

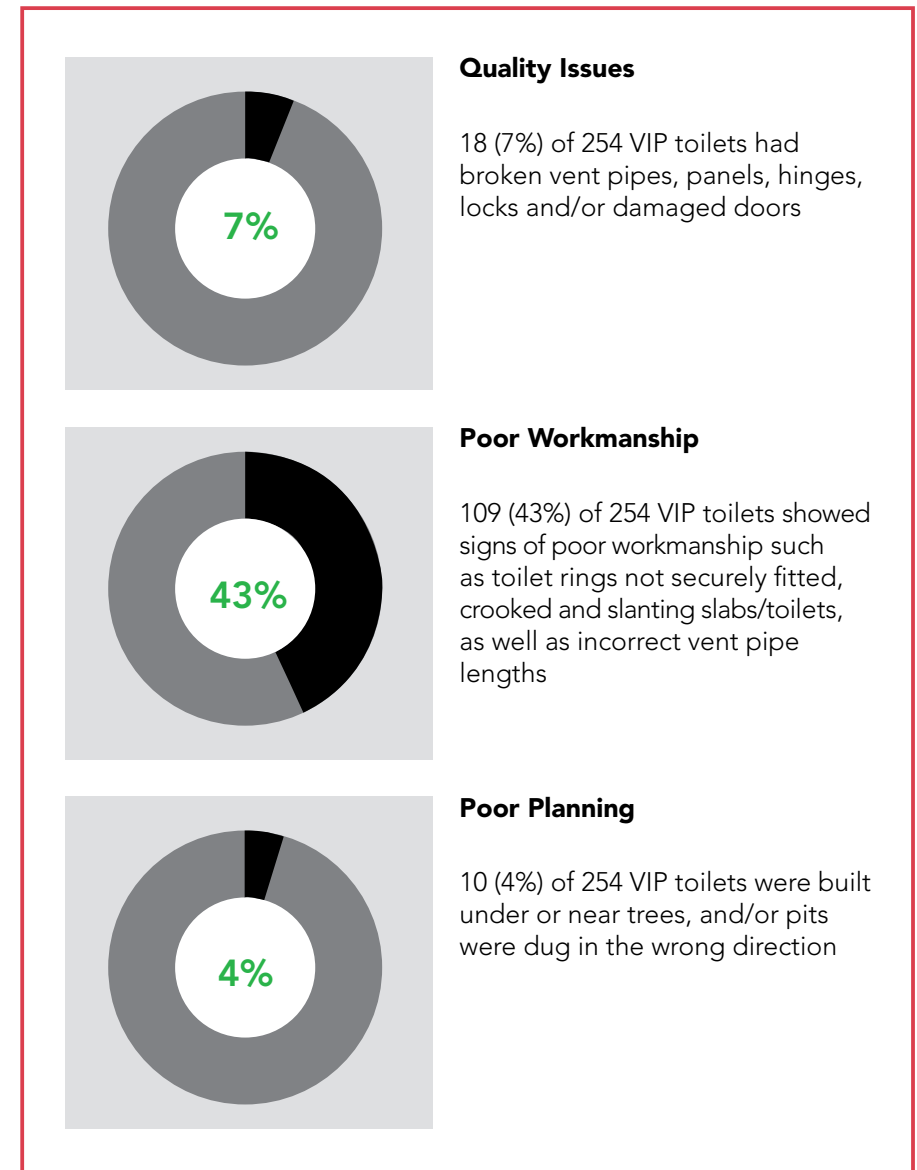
CONCERN 4: NON-COMPLIANCE WITH APPROVED STANDARDS REGARDING THE CONSTRUCTION OF THE TOILET FACILITIES

a. We found instances of poor workmanship related to non-compliance with SANS in each of the seven provinces where the RHIG was used. This resulted from ineffective project management and poor quality inspection. As a result, some of the checklists were not signed by the management consultant, indicating that it was not present during site inspections.

The ineffective project management and poor quality inspection were evident as some of the checklists were not signed by the management consultant, indicating that it was not present during site inspections. Figure 10 shows some examples of quality issues, poor workmanship and bad planning.

We recommend that the department should put measures in place to ensure that no payment is made before the quality of toilets has been certified by a person accredited to inspect and approve the toilets.

Figure 10: Poor workmanship related to non-compliance with the South African National Standards for toilets inspected



CONCERN 5: PROVISION OF EDUCATION AND TRAINING IN THE MAINTENANCE OF SANITATION FACILITIES IN A COST-EFFECTIVE MANNER

- a. At 14 of the 26 municipalities visited during the audit, health and hygiene training was not effective. As a result, at some households the beneficiaries had no water in the water tanks because they were not sure what these tanks were for.
- b. At some municipalities the beneficiaries did not understand how the VIP toilets worked. As a result, many of the beneficiaries used newspapers instead of toilet paper because they either did not know that they could not use it, or could not afford to buy toilet paper. At some households, buckets of water were seen inside or just outside the toilets and the owners admitted they used water in the toilets. This was due to consumer education not being conducted effectively.

We recommend that the department should improve consumer education by identifying key focus areas for the implementing agents to cover during the training. This would ensure that beneficiaries practice healthy and hygienic habits when using the toilets.

CONCERN 6: ASSESSING THE PERFORMANCE OF THE RURAL HOUSEHOLD INFRASTRUCTURE GRANT IN DELIVERING ON THE RURAL HOUSEHOLD INFRASTRUCTURE PROGRAMME

- a. By the end of the 2010-11 financial year, construction had not yet begun on 28,33% of targeted VIP toilets. Moreover, Limpopo and Free State had the lowest performance within the RHIP.

- b. In 2011-12, the RHIP underperformed in Limpopo and Mpumalanga. By the end of the financial year, the implementing agents had not commenced construction on 16,66% of the VIP toilets in all seven provinces.
- c. The rate of delivery per province per financial year did not remain consistent year on year. Some provinces, such as Mpumalanga, North West and Northern Cape had a high delivery rate in the 2010-11 financial year, which declined the following financial year. On the other hand, Eastern Cape, Free State, KwaZulu Natal and Limpopo started slowly in the 2010-11 financial year, but their delivery rate increased in the following financial year. The Free State was the only province that showed a steady increase in delivery rate year on year.

We recommend that the department should ensure that the implementing agents put measures in place to improve their rate of delivery on site. This will allow the department to meet its objective of accelerating the delivery of rural sanitation.

We also recommend that the department should introduce an effective management tool to track delivery on site against national targets so that poor delivery trends could be addressed promptly.

CONCERN 7: THE PERFORMANCE OF THE RURAL HOUSEHOLD INFRASTRUCTURE GRANT TENDER IN DELIVERING ON THE OBJECTIVES OF THE RURAL HOUSEHOLD INFRASTRUCTURE PROGRAMME, WITH REFERENCE TO THE TENDER AWARDED TO IMPLEMENTING AGENTS AND OTHER SERVICE PROVIDERS CONTRACTED FOR THE SANITATION PROGRAMME

The audit revealed that the RHIG tender was not successful in assisting the department to meet the objectives of the RHIP because both implementing agents experienced difficulty in completing the toilets that were allocated to them on an annual basis.

Inefficiencies in the tender process followed to appoint the management consultant and the implementing agents in the RHIP. This led to poor performance that emanated from the way the tenders were evaluated and awarded and, subsequently, affected the entire project cycle. These included the following:

- The bid evaluation committee (BEC) did not probe further into the project plans of the management consultant and companies A and B. No further evaluations were done beyond the functionality assessment.
- The department missed an opportunity to identify and manage its potential risk by not complying with the directive of the National vetting strategy.
- The inability to clarify roles on the project opened the project to inconsistent reporting and neglect by the management consultant. This put further strain on the project and worsened the poor performance of the RHIG tender.
- The management consultant was not measured against how or whether the RHIP performed and was therefore not held accountable for the poor performance of the programme it managed.

As a result, the expenditure patterns on the RHIG were irregular and inconsistent with what one would expect to find in an on-going project. On an annual basis, there were periods within the programme where there appeared to be no work done, as well as periods when the expenditure was alarmingly high. As a result, there were some inconsistencies between actual expenditure and the actual number of VIP toilets built and handed over.

Moreover, the department had to pay company B in advance to commence with the construction of the VIP toilets. However, even with this financial boost, it was unable to deliver its targeted toilets. In the end, both companies A and B were unable to meet their annual targets. Eventually, the department took a decision to reduce the scope of work for company B and appoint additional contactors in 2013 to fulfil its commitments.

As a result the following objectives were not met:

Table 1: The objectives of rural household infrastructure programme versus the objectives of rural household infrastructure grant

Objectives of the RHIP	Objectives of the RHIG	Performance of the RHIG to meet the RHIP
To accelerate delivery of sanitation (and water supply) to meet the 2014 target	To accelerate the implementation of the grant in areas where municipalities generally have insufficient capacity	Both implementing agents experienced difficulty in completing the toilets that were allocated to them on an annual basis
To contribute to job creation and local economic development	The training of beneficiaries in the on-going maintenance of assets	Some beneficiaries did not understand how the toilets worked and how to care for them
To support municipalities in addressing rural basic sanitation (and water supply) backlogs	To rapidly roll out on-site infrastructure	Targets were not met
To contribute to the rural development priority of government	To leverage the capacity of NGOs and CBOs to assist in bridging the capacity gaps in local government while also increasing the role played by communities in project implementation and beyond	This objective was partially achieved because the programme delivered 42 097 VIP toilets
To contribute towards meeting the sanitation (and water supply) millennium development goal targets of South Africa		
To improve the quality of life in rural communities		This objective was partially achieved

We recommend that the department should revise the functionality criteria used in evaluating bids to assess the capacity of service providers to cope with allocated roles and responsibilities.

We also recommend that the department should verify that service providers are going concerns. Furthermore, the department should verify the viability of the project plans submitted by service providers to mitigate the risk of non-performance.

Finally, we recommend that the portfolio committee should follow up on incomplete units post tabling of this report to ensure that the department has taken the necessary steps to complete incomplete VIP toilets.



DEPARTMENTAL COMMENTS

DEPARTMENTAL COMMENTS

	Departmental comment	Action taken/planned
Comment 1	<p>The Department accepts the recommendation of the AG fully.</p> <p>In 2010 the RHIP bids were referred to the SSA but major delays were experienced with the vetting process. Given the urgency to commence with the RHIP that was already complicated by internal departmental delays, the Department took a decision then to proceed with the award before the SSA results were received. The Department has done so after consulting with the National Treasury Database of Restricted suppliers and Tender Defaulters. At that time, the management consultant was not listed on both databases. The Department therefore undertakes to fully concur with the AG that thorough background and security screening should be conducted on all future prospective service providers being considered for appointment in order to protect the state resources.</p>	<p>Corrective measures are already in place, which include:</p> <ul style="list-style-type: none"> • Introducing the Bid Specifications Committee, which will enable the Department to improve the quality of Terms of Reference for all projects going into procurement. This will ensure that for future bids, evaluation criteria are strengthened, as they are no longer only exposed to the singular business unit, but to a collective of BSC members coming from various disciplines and divisions. • Training of members of the three SCM committees, the Bid Specification Committee, the Bid Evaluation Committee and the Bid Adjudication Committee. Consistent training of these committee members ensure that all comprehend the fundamental statutory provisions of supply chain management and goods acquisitions and procurement • Since the interim results of the Auditor General's Special Audit on RHIG during August 2013, the Department has taken a decision to subject all successful service providers that have been recommended for appointment to the State Security Agency's (SSA) vetting process • With regard to possible collusion and anti-competitive practice, the Department's actions will include investing more on training of all committee members, especially the BECs committee that are ad-hoc in nature yet bestowed with the mammoth task of evaluating complex bids. The increased focus on training of SCM members will result in developing and empowering of members to ensure that in future they are able to detect from the bids, possibilities of collusion and/or ant-competitive practices by both public and private sector service providers alike. These training will be supported by improvement of SCM policies to ensure they are more efficient, fair and transparent

	Departmental comment	Action taken/planned
Comment 2	<p>The Department notes the recommendation of the AG. However the Department is very clear that although regional managers are properly trained in water and sanitation environment, the regional offices are currently under-capacitated and not geared to fully 'project manage' complex and massive programmes with wide geographic span. Our regional offices have very limited personnel numbers.</p> <p>Since a decision was taken by Minister September to embrace the full extent of the sanitation function including installation, and maintenance of sanitation infrastructure, operation and maintenance, health and hygiene education, monitoring of sanitation roll-out by municipalities, the department has commenced with the review of regional offices.</p>	<ul style="list-style-type: none"> • Department has commenced with the review of regional offices with a view to increasing both their capacities as well as their role in overseeing sanitation implementation in their respective provincial spheres. Clarity of purpose is another focal area of the Department's effort in re-defining the role of regional offices and their personnel. • In all future projects of this nature, the Department will ensure that external capacity procured has adequate capacity in both level of staff allocated to the project, as well as the number of warm bodies that are required to fully carry out the task at large. • With regard to the finding that money (R113, 569 200) was paid for fewer VIP toilets delivered. This assertion was correct as a snap shot of comparing what was paid out relative to the number of VIP units captured in the Asset register as at the time of the audit. It was explained to the AG team that the asset register does not capture units delivered yet happy letters have not been issued. Only when the happy letters duly signed by beneficiaries and officials that such completed VIP structures are uploaded into the asset register. Therefore even if units have been completed and contractor paid for the work done and verified, such units will not be uploaded pending the signatures on happy letters. This process caused the inaccuracy in accounting for the expenditure to date versus units delivered. <p>Therefore at the end of the financial year, reconciliation of expenditure and units delivered was finalised, with the asset register fully uploaded. Final figure came to 27,484 units delivered at a cost of R 205, 566 000. This translated to an average price per VIP unit of R7,500</p>

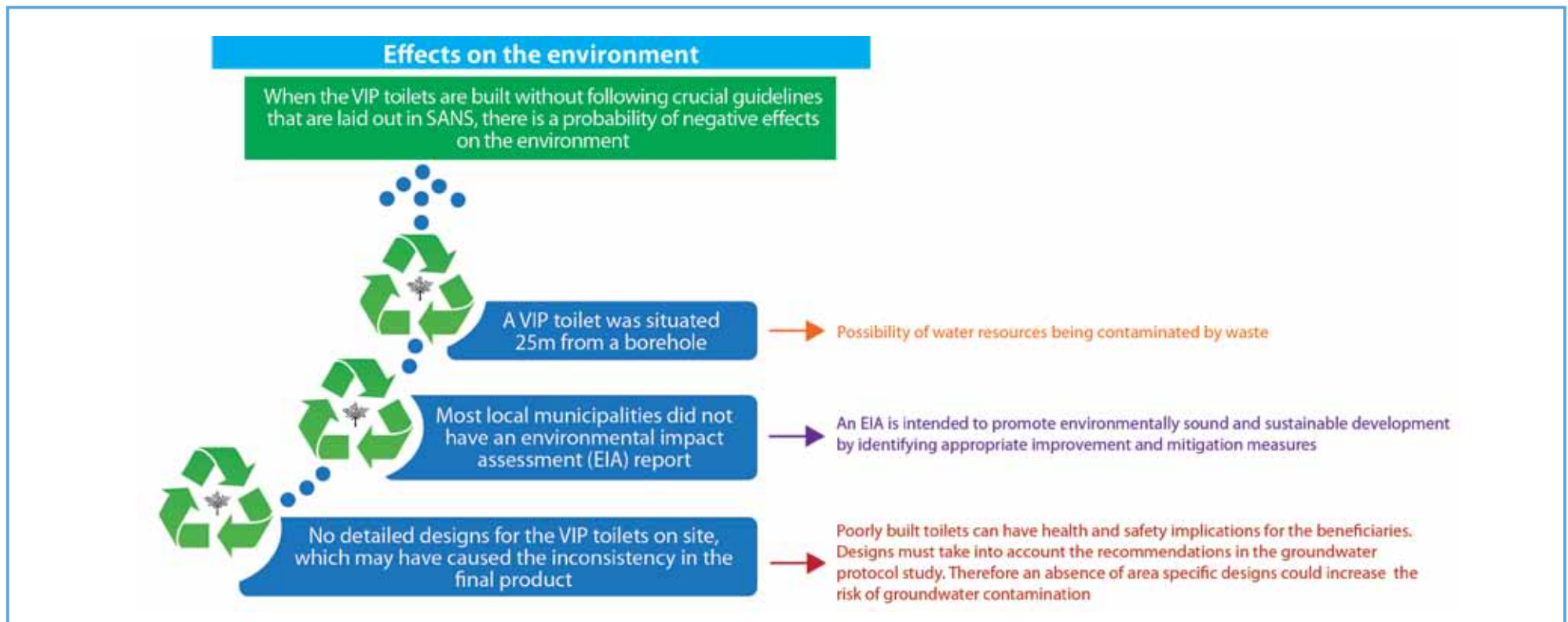
	Departmental comment	Action taken/planned
Comment 3	The department fully concurs with the AG. The link between the role of the management consultant and that of implementing agencies is critical.	<ul style="list-style-type: none"> During the second half of 2013, the department had already introduced this measure of linking the management consultant's performance to that of its implementing agents, as it was duly hired to ensure that work performed by them is carried out as planned. The same position has been taken for all future projects that will require programme/project management capacity to be procured.
Comment 4	The department fully concurs with the AG that payments of work claimed should only be affected once verifications of goods delivered, including their quality, has been conducted.	<ul style="list-style-type: none"> This will be overcome by the department deploying adequate professional teams to enforce delivery at local levels. This will also include adherence to approved norms and standards.
Comment 5	The department fully concurs with the recommendation of the AG. Health and hygiene education is critical for successful sanitation programmes, as well as the health and well-being of the entire household.	<ul style="list-style-type: none"> Increased capacity at both national and regional offices will be placed on this function. Equally, implementing agents will be compelled to ensure that wherever they assist households with sanitation facilities, health and hygiene education becomes an integral part of the programme.
Comment 6	The department fully concurs with the recommendation of the AG. The RHIP programme took a slow start during 2010-11 as a result of procurement having been completed very late in the third quarter of 2010-11. Contractors assumed real work during the fourth quarter. This was however improved in the following year of 2011-12.	<ul style="list-style-type: none"> Problems that caused these delays have been documented and corrective measures are being introduced to ensure that all planning work takes place before the beginning of the financial year.
Comment 7	As stated under concern 1 regarding discrepancies in scoring and functionality, as well as the importance of the State Security Agency's vetting process, the department has fully embraced the recommendations of the auditor-general.	<ul style="list-style-type: none"> The department fully commit to increased training to its SCM committee members, sharpening of functionality criteria by the newly established Bid Specification Committee, as well as enhancing SCM policies



IMPACT ON THE ENVIRONMENT

IMPACT OF THE RURAL INFRASTRUCTURE PROGRAMME ON THE ENVIRONMENT

Figure 11: Environmental impact



While the audit focused on whether the RHIG was used economically and whether the implementation of the RHIP was efficient and effective in achieving its objectives, we also noted the environmental impact that resulted from the implementation of the RHIP. Figure 11 contains some of the environmental issues observed.



DETAILED FINDINGS

DETAILED FINDINGS

In 2010, the National Treasury gave the department the RHIG of R1 billion. The grant was intended to build VIP toilets in seven provinces. The RHIG was made available to the department to fast-track the RHIP. It was envisaged that the RHIG would be spent over three financial years – 2010-11, 2011-12 and 2012-13.

Due to the magnitude of the programme and as the department did not have the required capacity, it decided to appoint a management consultant to assist in managing the RHIP. On 30 July 2010, the department outsourced the RHIP project and programme management functions. The management company was appointed on a three-year contract, from July 2010 to July 2013, at a total cost of R41,7 million.

After the management consultant was appointed, the department appointed the implementing agents to execute the RHIP. The implementing agents were appointed to build VIP toilets at 57 municipalities in seven rural provinces. Companies A and B individually signed SLAs with the department that stated that they would also report directly to the department.

CONCERN 1: TENDERS AWARDED TO THE MANAGEMENT CONSULTANT AND THE IMPLEMENTING AGENTS

Appointment of the management consultant

1.1 There were vast discrepancies in the scores of the members of the bid evaluation committee

There were vast discrepancies in the scores allocated for functionality by the members

of the BEC. Paragraph 5.9.5.2 of the Supply chain management guide for accounting officers (guide) dated February 2004, provides that each panel member should after thorough evaluation award his/her own value to every criterion without discussing any aspect of any bid with any of the other members. Score sheets should be signed by panel members and if required, written motivation could be requested from panel members in the event of vast discrepancies in the values awarded for each criterion.

- a. A member of the BEC consistently awarded lower scores per criterion compared to the scores of the other three members. However, this member awarded the maximum scores available for all criteria to the bidder who was eventually awarded the tender. Due to the low scores awarded, the average score per bidder was below the threshold of 50 out of 100, except for the management consultant (PM) and another bidder. This meant that all the bidders were disqualified for functionality except two. From the above it is evident that the scoring was not fair, consistent and correctly done. The discrepancies in awarding scores for functionality could have resulted from evaluation criteria that were not specific or the manipulation of scores to give preferential treatment to one of the bidders.

The successful bids were then referred to the bid adjudication committee (BAC). According to paragraph 2.5 of the *Code of conduct for bid adjudication committees* issued by National Treasury on 24 March 2006 (code of conduct): *The Bid Adjudication*

Committee must ensure that:

- *disqualifications are justified and that valid and accountable reasons / motivations were furnished for passing over of bids;*
- *scoring has been fair, consistent and correctly calculated and applied*

However, there was no evidence that the members of the BAC complied with paragraph 2.5 of the code of conduct because the discrepancies in the scoring were not addressed. The BEC was not requested to justify disqualifications or motivate why there were discrepancies in the scores. This meant that there was a possibility that other bidders who had the capacity necessary to successfully implement the RHIP were unfairly excluded.

1.2 The department did not take the results of background and security screening into consideration when appointing the management consultant

The management consultant consisted of two entities that had formed a joint venture. To comply with the directive of the National vetting strategy, information on these entities was submitted to the SSA for a background screening on 19 July 2010.

Directors from each of the two entities had judgements against them and, according to the database of the Companies and Intellectual Property Commission (CIPC), formally known as the Companies and Intellectual Property Registration Office (CIPRO), one of the entities was in a process of deregistration. Notwithstanding the results of the background and security screening, the department appointed the management consultant. Had the department waited for the results of the background and security screening, they would have taken the necessary precautions before making the appointment.

Appointment of companies A and B

1.3 There were red flags pointing to possible anti-competitive and collusive behaviour between companies A and B

There was a possibility that companies A and B were in agreement not to compete with each other or to submit complementary bids. Company B had submitted a bid proposal for 28 municipalities and company A for 24, of a total of 57 municipalities. Only four municipalities were common to both bids. Section 4 (1) (b) (iii) of the Competition Act indicates that an agreement between, or concerted practice by, firms, or a decision by an association of firms, is prohibited if it is between parties in a horizontal relationship and if it involves collusive bidding. This gave companies A and B an unfair advantage over the other bidders to the detriment of the programme because they were unable to deliver toilets of good quality at the desired pace.

1.4 The department did not take the results of the background and the security screening into consideration when appointing companies A and B

The results of the SSA's background and security screening on companies A and B were only available on 28 April 2011. However, this was after the memorandums of agreement had been signed between the department and company B (17 December 2010), and the department and company A (30 September 2010). This defeated the purpose of the security screening and had the potential to cause serious financial prejudice to the department. In this instance, the SSA recommended that the department should obtain proof that company B would be able to deliver services as required. The recommendation stemmed from company B's 2010 annual report, which indicated that company B's capital base had reached a point where it could not sustain operations beyond the 2012 financial year without additional funding. Furthermore, in 2009 company B was in the media for its failure to pay all its service

providers. As a result of company B's cash flow problems, an addendum to the contract was signed on 19 January 2011 whereby the department agreed to pay an advance for the procurement of programme material.

The appointment of additional service providers to construct ventilated improved pit toilets

1.5 The appointed service providers failed to comply with the requirements of the terms of reference

Four bidders could not be evaluated for price because they did not provide a unit price to erect VIP toilets, as required by the terms of reference. This also contravened paragraph 4(1) of the Preferential procurement regulations, which states that the tenders shall be scored for price and historically disadvantaged individuals and that only the tender with the highest number of points scored may be selected for appointment.

However, on 21 November 2012, the BEC requested these four bidders to resubmit their bids and include a unit price in accordance with the terms of reference. Although the tender advert indicated that the bidders should follow a specific pricing schedule, the BAC decided that this was not necessary. On 26 November 2012, the BAC indicated that since the issue of price was provided only as a guide, the service providers did comply with the requirements of the terms of reference and, therefore, did not have to resubmit their bids.

1.6 There were vast discrepancies in the scores awarded by the members of the bid evaluation committee

We noted vast discrepancies in the scores awarded for the functionality criteria by the members of the BEC. Paragraph 5.9.5.2 of the guide provides that *each panel*

member should after thorough evaluation award his/her own value to every criterion without discussing any aspect of any bid with any of the other members. Score sheets should be signed by panel members and if required, written motivation could be requested from panel members in the event of vast discrepancies in the values awarded for each criterion.

One of the members of the BEC consistently awarded lower scores per criterion when compared with the other three members. The discrepancies in awarding scores for functionality could have resulted from the evaluation criteria that were not specific or the manipulation of scores to give preferential treatment to one of the bidders. This led to three bidders receiving scores below the threshold of 75 points and being disqualified. This meant that other bidders were unfairly excluded.

1.7 There is a possibility that two of the bidders had an agreement to only submit complementary bids

The format and wording of the proposals submitted by companies C and D were identical. However, both companies signed the standard bidding document 9, which is a declaration that bidders had arrived at their accompanying bids independently, without collusion and without disclosing their bids to any competitor prior to the bid closing.

There is a possibility that companies C and D were in agreement not to compete with each other or to submit complementary bids because their proposals were similar. This resulted in both service providers being appointed to implement the RHIP. Section 4(1)(b)(iii) of the Competition Act indicates that *an agreement between, or concerted practice by, firms, or a decision by an association of firms, is prohibited if it is between parties in a horizontal relationship and if it involves collusive bidding.* Anti-competitive and collusive behaviour gives an unfair advantage to bidders that would otherwise not be considered. There is also a risk that service providers

contracted in this manner would be unable to fulfil their contractual obligations.

1.8 The department did not take the results of the background and the security screening into consideration before appointing the additional service providers

The department had signed an agreement with the six service providers before obtaining the results of the background and security screening. This defeated the purpose of the security screening and had the potential to cause serious financial prejudice to the department. While the department had awarded the contracts before the results of the background and security screening were available, in this instance, there was no negative impact.

1.9 Recommendations

- a. The evaluation criteria for functionality should be specific and clear to enable the members of the BEC to score bidders fairly, consistently and correctly.
- b. BEC members should be trained to fulfil their responsibilities when evaluating a bid.
- c. BEC members should be informed that after individual scoring the score sheets must be signed and, in the event of vast discrepancies in the values awarded for each criterion, a written motivation should be requested from the chairperson of the BEC.
- d. BAC members should comply with the code of conduct for BAC members issued by the National Treasury.
- e. Contracts should not be awarded to successful bidders before the results of the background and security screening by the SSA are received.

- f. Possible contravention of the Competition Act by certain bidders should be investigated and, if necessary, referred to the Competition Commission.

CONCERN 2: PROJECT MANAGEMENT CAPABILITIES OF ALL SERVICE PROVIDERS, PROJECT MANAGERS AND OFFICIALS OF THE DEPARTMENT IN THE EXECUTION OF THE ALLOCATED PROJECTS

During the audit, we identified a number of findings on the management of the RHIP, most of which emanated from the way in which the different entities had been contracted by the department.

2.1 There were no clear reporting lines established between the implementing agents (companies A and B) and the management consultant

Companies A and B were unaware of the role of the management consultant as the management consultant had not been mentioned in their SLAs. In addition, the manner in which the SLAs were structured did not indicate that the department intended the management consultant to assume responsibility for the management of the work done by companies A and B.

Due to challenges experienced on the programme, the department facilitated a meeting between all the parties on 21 November 2011 in a bid to remedy the situation. This intervention was however not effective because even with a turnaround strategy in which roles and responsibilities were clarified, all three entities continued reporting directly to the department. The department paid money to the management consultant that could have been used to build more VIP toilets because it continued to play the project manager role which the management consultant should have been responsible for.

The department had not facilitated a relationship between companies A and B and the management consultant. This would have enabled the management consultant to perform its roles as programme manager effectively to ensure the successful implementation of the RHIP. This resulted in the management consultant not fully responsible as the project manager and not always being visible on site, which led to issues of poor quality.

2.2 The service level agreement between the department and management consultant was not based on performance

The SLA signed between the department and the management consultant did not indicate actual deliverables. As a result, the management consultant was paid in full even when there was inadequate progress on site. The department did not have a proper basis for holding the management consultant accountable for the poor delivery of VIP toilets.

When the department realised the gaps in the project management cycle, it held a meeting with the management consultant to rectify the situation. In order to ensure accountability during the 2012 and 2013 financial years, it was agreed with the management consultant that they would be paid a fixed fee of 40% of their monthly claims, while 60% would be linked to service delivery. This intervention led to the department appointing additional contractors in 2013, based on indications from the management consultant that the rate of delivery on site was not sufficient and that extra resources were needed to accelerate the programme. If the department had introduced this arrangement from the beginning of the programme, poor delivery on site could have been addressed much earlier. The impact of not linking the management consultant's monthly payments to actual deliverables will result in the department spending more on project management fees than initially budgeted.

2.3 The use of an ineffective information management system made it difficult for the department to effectively monitor how the RHIP was progressing

The lack of an effective information management system contributed to the RHIG not performing well. The department could not effectively monitor progress and accurately report on the RHIP. Information on the VIP toilets that were built and the payment for milestones achieved was recorded on an Excel spreadsheet that was updated by the management consultant monthly. In certain instances, the information kept by the department, companies A and B and the management consultant during the same period was inconsistent. The department was therefore unable to accurately track actual progress and delivery of VIP toilets against the expenditure incurred. This resulted in expenditure incurred on the RHIG that could not be accounted for by the department.

2.4 Inconsistencies between the performance of companies A and B indicated that the rural household infrastructure programme RHIP was not managed effectively

Company A's overall performance gradually improved each year, but company B's overall performance was not as consistent. Initially, company B's performance increased, and then decreased to 50% in 2012-13. The department indicated that the management consultant had mentioned the slow performance trends in the programme at all meetings held by the department. Yet no documentation could be found to indicate that the management consultant had brought these matters to the department's attention, as required by their terms of reference and/or SLAs. These meetings led to additional contractors being appointed by the department in 2013 to fast-track the implementation of the RHIP. The management consultant's inability to provide timely information on the status of the RHIP meant that the department could not intervene on the project in time to ensure that service delivery was not negatively affected.

2.5 The management consultant did not always attend site meetings, which

resulted in some of its project management duties not being performed

The management consultant initially attended meetings regularly during RHIP 1. In many cases, their visibility decreased significantly during RHIP 2 and 3 (the 2011-12 and 2012-13 financial years). Although the SLA indicated that the management consultant had to attend meetings as required by the department, monthly project meetings were always coordinated by the regional sanitation coordinators and took place irrespective of whether the management consultant was in attendance.

This resulted in instances where the construction of VIP toilets was not according to standards and contractors' complaints about not being paid were not addressed.

2.6 The management consultant did not sign completion certificates for all the ventilated improved pit toilets that were paid for. Therefore, there was no evidence that they had checked the work done and satisfied themselves that the toilets were built according to specifications

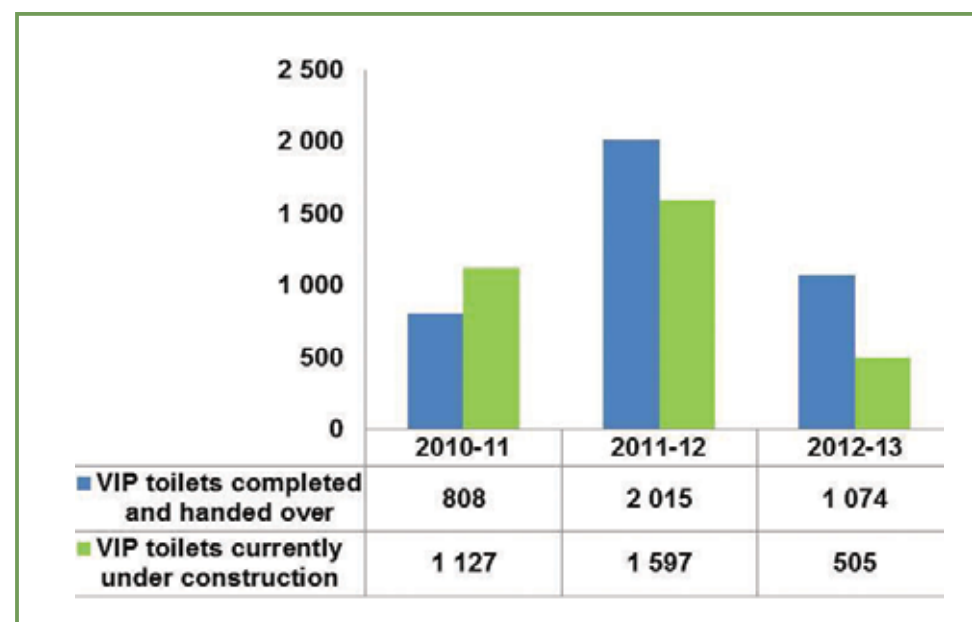
Some of the checklists for the VIP toilets that were audited were either signed by the regional sanitation coordinators on behalf of the management consultant, or left blank where the management consultant had to sign. The management consultant often neglected this function as it was not reflected in its SLA with the department. This led to VIP toilets of poor quality being certified as complete and the implementing agents not taking responsibility for rectifying work that was not done correctly.

2.7 The management consultant was more concerned with coordinating project documentation than with managing the RHIP. It used information sent by the

department's regional sanitation coordinators to compile asset registers

We found that the management consultants had been more involved in coordinating project documentation than managing and monitoring the project in the implementation phase. The focus was on gathering information that would assist it to compile the asset registers. As a result, it reported the number of VIP toilets completed per financial year, as well as the work in progress, which were units that were not completed during a financial year. However, there was no indication of whether the status of work-in-progress units was tracked into the following financial year to ensure that the toilets were completed.

Figure 12: Delivery of ventilated improved pit toilets in Limpopo for the 2010-11, 2011-12 and 2012-13 financial years



³ The RHIP was divided into three phases according to financial years: RHIP 1 in 2010-11, RHIP 2 in 2011-12 and RHIP 3 in 2012-13

As a result of inadequate management of the project, the department was not given proper guidance when it reduced the scope of work at some municipalities. Some municipalities reported that VIP toilets had been left incomplete for up to two years. In Limpopo, the number of units constructed in 2012-13 was less than the work in progress that had been reported in the previous year.

2.8 A duplication of project management functions led to a lack of accountability by the management consultant

The management consultant was appointed by the department to manage the RHIP because it did not have the capacity to manage the programme itself. However, during the three financial years, the department paid the regional sanitation coordinators and the management consultant to perform the same function in the RHIP. The functions were not divided between the management consultants and the regional sanitation coordinators to demonstrate that the management consultants were appointed to give additional capacity and that there was a distinction in their roles. Moreover, companies A and B were also tasked with managing the RHIP, but throughout the project each party reported directly to the department. This duplication of functions resulted in the management consultant not always being on hand to perform its role. As a result, during RHIP 2 and RHIP 3, most project management functions in the RHIP were performed by the regional sanitation coordinators, even though R39,5 million had been paid to the management consultant between the 2010-11 and 2012-13 financial years. This duplication of roles resulted in the management consultant being paid for a role it did not always play effectively. These funds could have been better used for the actual delivery of quality toilets to the identified communities.

2.9 The management consultant was not managing or monitoring the work done by the additional contractors

During the 2012-13 financial year, company B's allocation was reduced. The department appointed additional contractors to take over the construction of these toilets in order to accelerate performance of the RHIP. The management consultant did not manage the work done by the newly appointed contractors. As a result, the new contractors did not commence with the construction of incomplete VIP toilets, instead, they started constructing new toilets. This led to the frustration of the municipalities where company B had left open pits and incomplete toilets. Therefore, the appointment of the additional contractors did not address the immediate needs of the affected municipalities.

2.10 Recommendations

- a. Where the department and/or the relevant municipalities determine that the services of external project managers are needed, they should ensure that a proper reporting mechanism is established between the project managers and the implementing agents to ensure accountability. Therefore, SLAs should be concluded between the implementing agents and the project managers to ensure that reporting lines are clarified.
- b. In future, the department should link payment for services rendered with the delivery of a specified number of VIP toilets to make project managers accountable for poor delivery of units.
- c. The department and the relevant municipalities should improve their information management system to ensure that progress is effectively monitored and that the information management system is used as a reporting tool for the RHIP. This would ensure that all the units constructed using the RHIG are completed and handed over.
- d. The department should determine why the management consultant was appointed if the regional sanitation coordinators were able to perform this function. The department should also determine who is responsible for it not receiving value for money from the management consultant's appointment and for not receiving the services it paid for.
- e. The department should determine why it paid the management consultant

when it was not managing or monitoring the work done by the additional contractors and the allocation made to company B had been significantly reduced.

CONCERN 3: EXPENDITURE PATTERNS OF THE RURAL HOUSEHOLD INFRASTRUCTURE GRANT

Companies A and B were appointed as implementing agents in December 2010 to construct VIP toilets to the value of R451 million and R550,5 million, respectively. The amount approved for the implementing agents would be paid from the RHIG and was inclusive of the cost of implementing the programme, management fees and disbursements.

The SLA concluded between company B and the department indicated that the budget would be made available for the implementation of RHIP, as follows:

- R45 million for the 2010-11 financial year
- R163,5 million for the 2011-12 financial year
- R342 million for the 2012-13 financial year

The above amounts were calculated at a rate of R7 500 per VIP toilet, which included construction and community development costs, as well as consultancy, disbursement and management fees. The SLA further indicated that the department would transfer the budget to company B on submission of monthly invoices to which original copies of proof of expenditure were to be attached. The department would compare the amount claimed to the progress made on site and, if satisfied, would pay invoices within 30 days of receiving them.

The SLA concluded by company A and the department did not indicate how the programme budget would be managed per financial year, nor was the cost per VIP unit stipulated. This made it harder to track progress made by company A because there were no pre-set targets.

During the audit we observed the following:

3.1 Most expenditure was incurred in the last quarter of each of the three financial years

The actual monthly expenditure patterns of the RHIG for the 2010-11, 2011-12 and 2012-13 financial years fluctuated from month to month which was normal. However, most of the actual expenditure was incurred during the last three months of each financial year. Table 2 shows that 100% of the expenditure in 2010-11; 72,6% of the expenditure in 2011-12 and 74,4% in 2012-13 was spent in the last quarter of each of these financial years. Had the implementing agents shown a consistent increase throughout the financial years in delivering the VIP toilets, the RHIP would have had better outcomes.

Table 2: Payments made to the companies A and B for the three financial years

RHIG expenditure	2010-11 R	2011-12 R	2012-13 R
April	N/A	0	0
May	N/A	0	0
June	N/A	1 027 254	12 318 222
July	N/A	4 048 453	2 656 114
August	N/A	1 082 176	7 514 245
September	N/A	2 248 691	4 563 097
October	0	15 128 894	6 794 168
November	0	19 535 314	11 550 878
December	0	8 348 333	8 829 684
January	0	9 675 636	6 703 222
February	3 420 371	19 271 126	27 270 955
March	59 148 120	106 987 513	123 743 481
Total	62 568 491	187 353 390	211 944 066

⁴ The implementing agents were appointed in September and October 2010

Furthermore, no expenditure was incurred during April and May in the 2011-12 and 2012-13 financial years. This was observed in the contracts of both companies A and B. Table 2 also illustrates the RHIG expenditure patterns per month for the period 1 April 2010 to 31 March 2013. The total RHIG expenditure amounted to R501 423 429 over these three financial years, of which R461 865 947 (92%) related directly to companies A and B for the construction of VIP toilets. The remaining R39 557 482 was for programme management fees paid to the management consultant. This meant that the implementing agents spent less than 50% of their allocated budget, resulting in the beneficiaries not receiving the much needed services as planned by the department.

These expenditure patterns are not what one would expect on an on-going project because the project did not seem to be stabilising. A possibility exists that the large expenditure at the end of the financial year resulted from payments made to give the illusion of progress in implementing the RHIP. As a result, the expenditure did not correspond with the actual number of VIP toilets built.

3.2 There was no correlation between payments made to companies A and B and the management consultant

Significant payments, which were not linked to the actual delivery of VIP toilets by companies A and B, were made to the management consultant in year one. The management consultant received 95% of the total budget allocated to it between July 2010 and March 2013, while only 46% of the budget allocated to building VIP toilets was spent during this period. It is thus questionable whether the department received value for money from the management consultant.

Table 3: Payment ratio between implementing agents and the management consultant

Period	Companies A and B: Actual expenditure R	Percentage of budget spent	Management consultants: Actual expenditure	Percentage of budget spent
2010-11	62 568 491	76%	14 389 727	34%
2011-12	187 353 390	63%	15 258 821	37%
2012-13	211 944 066	34%	9 908 934	24%
Total	461 865 946	46%	39 557 482	95%

3.3 There were inconsistencies between actual expenditure and the number of VIP toilets built, resulting in an amount of R113 569 200 not being accounted for

The department had budgeted an amount of R7 500 per VIP unit (including the cost of materials, labour, social facilitation and training, project management and quality assurance) for the 2010-11 financial year. This amount ultimately increased to R7 800 and R9 000 (all costs included) in the 2011-12 and 2012-13 financial years, respectively, due to inflationary adjustments. Our analysis revealed that the amount of money spent for the three years did not correspond to the number of units delivered on site, as illustrated in table 4.

Table 4: Recalculation of units that should have been completed

Financial year	Amount spent R	Actual units completed	Units that should have been completed	Difference in number of units
2010-11	62 568 491	5 012	8 342	3 330
2011-12	187 353 390	19 225	24 019	4 794
2012-13	211 944 065	17 860	23 549	5 689
Total	461 865 946	42 097	5 5910	13 813

The analysis shows that, based on the total amount paid to companies A and B over the three-year period, there was a shortfall of 13 813 VIP toilets. As a result, an amount of approximately R113 569 200 was paid to companies A and B between the 2010-11 and 2012-13 financial years that could not be accounted for. At the beginning of the audit, the department indicated that the VIP toilets were paid on completion and did not indicate further milestone payments. Therefore, the expenditure should directly correspond with the total number of VIP toilets completed. The department did not receive value for the amount spent as there could have been more toilets built with the budget that is unaccounted for. The department later indicated that they had made advance payments to company B and paid for material

⁵ Based on the calculation: amount spent = R7 500 (2010-11), amount spent = R7 800 (2011-12) and amount spent = R9 000 (2012-13):

on site. However, since three financial years of advances and material on-site payments had not translated into actual VIP toilets on the ground, the department did not receive actual value for money. The impact of the department not tracking that money loaned to the projects had not been repaid means that 13 813 families will not receive their much needed VIP toilets. Instead, the department has donated R113 569 200 to companies A and B.

3.4 R39,5 million was paid to the management consultant for project management fees even though it did not always perform the duties it was paid for and the RHIP was not performing well

During the period July 2010 to March 2013, the department paid the management consultant R39,5 million for managing the RHIP. However, the programme did not perform well and there were inconsistencies between the number of VIP toilets built and the number of VIP toilets recorded in the asset registers. The inconsistencies occurred because the management consultant did not verify the delivery on site against invoices received, as required in its SLA. The project was negatively impacted by the management consultant's inability to perform their responsibilities effectively. It was ineffective in providing the department with the extra capacity it needed to execute the RHIP. This created an expectation for the department to double check the information they received from the management consultant, which was a clear indication that the department did not receive value for money from its appointment.

3.5 Recommendations

- a. The month-to-month fluctuations in the RHIG expenditure patterns should be addressed by the department to avoid significant portions of the actual expenditure being incurred in the last three months of each financial year. This can be expected in the first year, but the programme should start stabilising from the second year.
- b. The department should ensure that the implementing agents increase their staff capacity and maintain this throughout the period of the programme. This way, they will be able to see continuous improvement in service delivery.

- c. The department should document in the SLA all the milestone payments that they intend to make for the construction of the VIP toilets as well as the procedures to be followed when advances are given to the implementing agents and service providers.
- d. The department should link all future project management payments to actual deliverables to ensure that the appointed management consultant is accountable and has a vested interest in ensuring that the RHIP is successfully implemented.
- e. The department should review expenditure submitted for payment by implementing agents against monthly and/or quarterly progress reports to ensure that payments made are valid and toilets have been constructed.
- f. The department should provide an explanation for the amount of R113 569 200 that could not be accounted for during the audit.
- g. The department should provide an explanation for the payment of 95% of the management consultant's budget in project management fees even though the performance on the RHIP was inadequate and the management consultant did not always perform the duties it was paid for.
- h. A proper works programme should be provided for all projects to enable the department and relevant municipalities to effectively track progress against expenditure.

CONCERN 4: NON-COMPLIANCE WITH APPROVED STANDARDS REGARDING THE CONSTRUCTION OF THE TOILET FACILITIES

In April 2013, we conducted site visits at 26 municipalities of the seven provinces where the RHIG was implemented. We set out to establish, through physical verification, whether the implementing agents had adhered to approved standards in the

construction of VIP toilets at the various local municipalities where the RHIP was implemented. Table 5 summarises the findings per local municipality in relation to non-compliance with SANS, the provision of education and training in the maintenance of sanitation facilities in a cost-effective manner and the planning and administration of the RHIP.

4.1 Poor workmanship related to non-compliance with the South African National Standards

During the audit, we identified several instances of poor workmanship in KwaZulu Natal, Limpopo, Mpumalanga, North West, Free State, Eastern Cape and Northern Cape. Table 5 provides the findings.

Table 5: Poor workmanship related to non-compliance with the South African National Standards

Province	Problems Found									
	Soil around toilet not properly compacted	Broken vent pipes	Crooked and slanting slabs/ toilets	No fly screens	Broken panels, hinges and locks	Vent pipes below 500mm	Roofs not water proof	Toilet rings not securely fitted	Damaged doors	VIP toilet built under trees
KwaZulu Natal	4	3	5	5	2	41	0	1	0	2
Limpopo	0	1	0	0	2	0	7	1	0	4
Mpumalanga	0	0	4	2	0	0	0	0	0	4
North West	0	0	1	0	1	0	0	0	0	0
Northern Cape	0	0	0	0	0	1	0	0	2	0
Free State	5	1	1	8	2	9	0	0	1	0
Eastern Cape	2	1	2	8	2	2	0	0	0	0
Total findings	11	6	13	23	9	53	7	2	3	10

⁶ The South African National Standards (SANS), SANS 10365-1 of 2004 outline the approved norms and standards to be followed in the construction of a VIP toilet. Annexure A provides a detailed explanation.

- a. In some instances, the soil around the VIP toilets was not properly compacted because the proper procedure for compacting an excavated area was not followed by the contractor. The soil was eroded by rain in these instances, which resulted in a hole being created around the toilet. If this step in the construction is not properly executed, the quality of the structure could be compromised as rainwater would collect in and around the toilet.
- b. The broken vent pipes were caused by the contractor using poor quality material. Consequently, there were no fly screens attached to prevent foreign elements from entering the toilet pits. This resulted in the VIP toilet smelling.
- c. The contractor did not securely attach the fly screens to the vent pipes, resulting in them being blown off by the wind. Without the fly screens, there is a higher risk of flies entering the VIP toilet through the vent pipe, which could pose a health risk to the beneficiaries.
- d. The broken hinges and locks were caused by heavy winds, but were easily broken as the contractor did not use the best quality material. As a result, the toilet door could not be closed, which did not provide the user with the required privacy while also rendering it susceptible to further wind damage.
- e. Vent pipes were found to be below 500mm because the contractors did not follow the guidelines in SANS when they were installing the vent pipes. As a result, some of the vent pipes were too short and odours emanating from the pit of the VIP toilets made the toilet smell.
- f. The roofs of the VIP toilets were delivered with a hole that allows them to be easily lowered onto the top structures. These should be sealed by the contractor when the construction of the VIP toilets is complete to ensure that the VIP toilets are waterproof. However, some VIP toilets were found to still have a hole in the roof because the contractors had not sealed it. This resulted in beneficiaries getting wet when it rained.

Picture 1: Soil not compacted around toilet



Picture 2: Vent pipe broken



- f. The roofs of the VIP toilets were delivered with a hole that allows them to be easily lowered onto the top structures. These should be sealed by the contractor when the construction of the VIP toilets is complete to ensure that the VIP toilets are waterproof. However, some VIP toilets were found to still have a hole in the roof because the contractors had not sealed it. This resulted in beneficiaries getting wet when it rained.
- g. The uneven floor slabs can be attributed to the contractor not compacting the soil correctly. This gave rise to the soil in the area settling unevenly and resulted in the brickwork to slant. In other instances, the floor slab was uneven due to the concrete slab that was damaged when it was installed. This compromised the stability of the VIP unit and should have been pointed out during the quality assurance process. This could have long-term negative effects on the quality of the structure.
- h. The toilet rings were loose because the contractor did not fit them securely. This resulted in the toilets being unstable when used. This is very dangerous as the toilet ring could detach from the floor slab and a child could fall into the pit. This was despite the toilet being inspected and the completion certificate being signed.
- i. The damage to the doors of the VIP toilets was caused by wind as the beneficiaries did not close the door securely after using the toilet. This is an indication that the doors used were not durable and that the consumer education provided by the implementing agent was not effective. As a result, the toilets did not afford the user with the required level of privacy.

Picture 3: Uneven floor slab not compacting to soil



Picture 4: Toilet ring loosely fitted



⁷ Known as happy letters or checklists, these are signed by the implementing agent, the beneficiary and quality inspector

- j. The damage to the doors of the VIP toilets was caused by wind as the beneficiaries did not close the door securely after using the toilet. This is an indication that the doors used were not durable and that the consumer education provided by the implementing agent was not effective. As a result, the pits were dug in the wrong direction and leaves accumulated on the roofs of these structures and on top of the vent pipes. This increased the risk of leaves falling through the vent pipe into the pit, which would cause the pit to fill with foreign objects and could lead to it filling up quicker than anticipated. This will cause an increase in costs for municipalities because the VIP toilets will need to be de-sludged more frequently.



Picture 5: Toilet situated near trees

4.2 Other quality-related issues

At one of the municipalities we found that prefabricated pit-lining structures were used in the construction of VIP toilets. However, these prefabricated structures do not allow for percolation through the walls of the pit into the soil. This would lead to the pit getting full sooner as the seepage rate of the urine would be significantly reduced. These constructions constituted non-compliance with the standards for on-site sanitation systems set by SANS in terms of VIP toilets (SANS 10365 1:2003, page 5, paragraph 6.1.5). As a result, local municipalities would be expected to de-sludge pits more often than allowed for in their budgets, which would result in unplanned and unbudgeted expenses in maintaining the VIP toilets. It could also result in the toilets overflowing if the level of waste is not adequately monitored, leading to health and hygiene issues and detrimental effects on the environment.



Picture 6: Roof damaged

At two of the VIP toilets visited we found that the roof of one of the structures was broken, while the roof of the other structure was cracked and sagging. This structural damage was the result of using damaged or poor quality material. The damage to the roofs of these structures also meant that they were not waterproof.

At one local municipality the foundation of one of the toilets was below ground level. As a result, when it rained, water and sand could flow into the toilet. This is not in line with the SANS and should have been pointed out during the quality assurance process.

⁸ Since the method used in these toilets is a dry sanitation technology, percolation is used in VIP toilets to allow liquids to seep through a porous substance or small holes along the pit lining, thus ensuring that the waste in the pit remains as dry as possible and increasing the lifespan of the VIP toilet.

4.3 Non-adherence to standards that affects the health and hygiene of beneficiaries

In Limpopo, KwaZulu-Natal and Mpumalanga, some of the VIP toilets inspected were located too far from the road to allow a vacuum tanker to come close enough to de-sludge them. As a result, the local municipalities would be forced to cover the pit and build a new VIP toilet for the owner to prevent the toilet from overflowing and resulting in hygiene problems.

At some of the municipalities, the implementing agents had not fitted the VIP toilets with hand-wash attachments as required by the SANS. Instead, the implementing agent used empty fizzy drink bottles as hand wash facilities. However, during the site visits, most of the toilets did not even have these water bottles attached. Nevertheless, the department paid the implementing agent the same amount as for completed units with hand-wash attachments. As a result, it could not be determined whether the beneficiaries could wash their hands after they had used the VIP toilets, leading to potential health and hygiene issues.

Picture 7: Two litre fizzy drink bottle used instead of wash basin



At one of the local municipalities one VIP toilet was found to be situated 25m from a borehole because the contractor had not ensured that it was built at least 30m away, as required by the SANS. This increased the risk of groundwater contamination, which would, in the future, have detrimental effects on the source of drinking water for humans, as well as on the vegetation.

4.4 Other incidences of non-adherence to the SANS

At two local municipalities, two toilets were found not facing the houses of the beneficiaries because the contractor had dug the pit the wrong way. This affected the beneficiaries' privacy and level of comfort.

At another local municipality the implementing agent did not fit the toilet ring to a toilet, even though the completion certificate had been signed. As a result, the department paid for incomplete work and the toilet was listed as completed in the asset register. This indicates that the department did not receive value for money as the VIP toilets received and paid for were of poor quality and the beneficiaries received an inferior service.

4.5 Other issues found

At most municipalities, the implementing agents used checklists as completion certificates. These checklists indicated that the VIP toilets were completed and handed over and were signed by the implementing agent, the management consultant and the beneficiary. At some municipalities, the management consultant did not sign the checklists, which meant that it was not available on site. This lack of monitoring may have contributed to the implementing agents relaxing and thus not always ensuring that they provided beneficiaries with VIP toilets of the required quality.

Some of the asset registers did not have handover or completion dates and, in some cases, the names of the beneficiaries, stand numbers and identity numbers were incorrect or missing. This was an indication that physical verification was not always done before the asset register was updated. It could also be an indication that the health and hygiene training was not done because during the training, the implementing agents would have captured the beneficiaries' details.

At one of the local municipalities, the local labourers employed by the sub-contractor warned beneficiaries not to use their VIP toilet units. The local labourers claimed that they had not been paid by company B and threatened to destroy the toilets if the beneficiaries were found using them.

4.6 Effects on the environment

Effects due to planning issues

Most of the local municipalities did not have an environmental impact assessment (EIA) report, which should have been signed off by the Department of Economic Development, Environmental Affairs and Tourism or the relevant authority in the province concerned. An EIA is intended to promote environmentally sound and sustainable development by identifying appropriate improvement and mitigation measures. The absence of the EIA means that the information necessary for decision-making on the possible environmental consequences was not available or taken into consideration. Therefore plans could not be formulated and implemented to mitigate the risks to the environment that would have been identified through an EIA.

Most local municipalities had not compiled environmental management plans and some of the municipalities indicated that their long-term plan was not to de-sludge the VIP toilets, but rather to cover the pits up and move the top structure to another location. The intension of the programme was to de-sludge waste material and re-use the toilet until it reaches its useful life. The concern raised by the auditors in this instance is whether the necessary steps were taken by municipalities to reduce possible long-term environmental effects of this decision. This was of particular concern in the Eastern Cape, where some pits were found to be a metre above the ground level. The concerns were twofold; having a metre high structure filled with human waste in someone's yard and the reality that without the necessary

perforated pit lining necessary to keep the waste dry, there was no guarantee that this was not a ticking time bomb waiting to explode once the pit was covered and no longer had ventilation.

Effects due to implementation problems

The SANS guidelines ensure that VIP toilets are safe and hygienic to use and do not pose a threat to the community. The vent pipes on the VIP toilets are meant to provide a continuous airflow, which helps to blow away odours, acts as a fly control mechanism and assists with waste breakdown by accelerating the drying process. However, foreign matter falling into the toilet hampers the drying process. The toilets also need to be built 30m away from boreholes so that ground water is not contaminated. Compacting the ground around the toilet ensures that stagnant water does not collect and attract insects.

In some instances the vent pipes were below 500mm. In others, the vent pipes had broken. This meant that the role of the vent pipe was not adequately achieved, which could have the effect of slowing the waste breakdown process. Fly screens were also not securely attached to the vent pipes in some areas. This could result in unsanitary conditions, where the toilets become a breeding ground for insects and cause health problems to the beneficiaries. Furthermore, because the soil around some VIP toilets was not properly compacted, gaps around the structure could collect still water.

⁹ Environmental impact assessment scoping is a preliminary investigation of whether a project may have effects on the environment.

¹⁰ An environmental management plan is an environmental management tool used to address issues raised in the EIA. It indicates how toilets will be maintained and how the municipality plans to minimise the impact on the environment.

At a local municipality, a VIP toilet was situated 25m from a borehole. The threat of ground water contamination means that the community's drinking water could become unsafe. In cases where VIP toilets had been built under or near trees, there is a risk that leaves will fall into the pit of the toilet. This could lead to delays in the drying process, making the toilets less hygienic.

All the above factors pose a risk to the community. Inadequate health and hygiene training is also an issue as the beneficiaries were not aware that they could not use water and other foreign materials in the VIP toilets. The VIP toilet system will therefore become less effective leading to poor hygiene and possible health issues for the communities in which they are built.

4.7 Recommendations

- a. The department and the relevant municipalities should put measures in place to ensure that non-compliance with the approved standards in the construction of toilet facilities is eliminated. They should ensure that no payment is made before quality has been certified by an accredited person.
- b. The department and the relevant municipalities should insist that the fly screens be securely fixed onto the vent pipes to avoid them being blown away.
- c. The department and the relevant municipalities should ensure consistency in the provision of hand-wash facilities in the VIP toilets.
- d. The department and the relevant municipalities should put measures in place to improve consumer education and should stipulate key focus areas for the implementation agents to cover during the training.

- e. The department and the relevant municipalities should develop a structured system to monitor the health and hygiene training conducted by the implementation agents, such as attendance registers of training sessions.
- f. The department and the relevant municipalities should ensure that an EIA is always done before implementing the RHIP. The recommendations and findings in the EIA and groundwater protocol reports should be taken into consideration before the technology and designs to be used for the toilets are finalised.
- g. The department and the relevant municipalities should compile a sanitation master plan to prioritise the RHIP and to track the impact of the RHIP on the municipalities' sanitation backlog.
- h. The department should ensure that all targeted municipalities have developed an effective environmental management plan to deal with the maintenance of the VIP toilets.
- i. The department should explore the cost-effectiveness of de-sludging the VIP toilets versus relocating the top structure to another pit, to ensure that it receives value for money.
- j. The department should explore the long-term effects on the environment of covering up the pits and whether this is the safest long-term option.

The department should consider rectifying the VIP toilets that were not built properly, especially those with pits more than 200mm above ground level.

CONCERN 5: PROVISION OF EDUCATION AND TRAINING IN THE MAINTENANCE OF SANITATION FACILITIES IN A COST-EFFECTIVE MANNER

The auditors set out to establish, through interviews with beneficiaries, whether implementing agents had provided them with effective education and training in the cost-effective maintenance of their VIP toilets. This would ensure that the toilets would not be used in a manner that would compromise the efficiency and desired lifespan of the toilets.

5.1 Health and hygiene training not sufficient

At 14 municipalities visited during the audit, the engagements with beneficiaries indicated that health and hygiene training was not sufficient. In most cases, the beneficiaries indicated that they were not trained because they were at work during the day. In some cases, the people responsible for health and hygiene training merely put up posters in the toilets and did not explain how the toilets should be used. This was evident at some households where beneficiaries had no water in the water tanks because they were not sure what these tanks were for. Failure to practice good hygiene could expose beneficiaries to health problems.

Some beneficiaries had not started using the VIP toilets and refused to demolish or stop using their old pit toilets until they were full, indicating that they did not understand the benefits of the new VIP toilets over their old pit toilets. Since many of the old pit toilets were not built in a manner that promotes good health and hygiene, continuous use of these could expose beneficiaries to health problems.

5.2 Beneficiaries did not understand how the VIP toilets worked

Many of the beneficiaries used newspapers instead of toilet paper because they either did not know that they could not use it or could not afford to buy toilet paper.

At some households, buckets of water were seen inside or just outside the toilets and the owners admitted they used water in the toilets. This was due to consumer education not being conducted effectively. Consumers should have been informed that using water and newspapers in the VIP toilets would cause the toilet pits to fill up faster than expected. Furthermore, using water in the VIP toilets increased the risk of hygiene problems because these toilets use a dry sanitation system to reduce odours and prolong the useful life of the toilets.

5.1 Recommendation

The department and the relevant municipalities should improve consumer education. They should identify key focus areas for the implementing agents to cover during the training to ensure that beneficiaries practice healthy and hygienic habits when using the VIP toilets.

CONCERN 6: ASSESSING THE PERFORMANCE OF THE RURAL HOUSEHOLD INFRASTRUCTURE GRANT IN DELIVERING ON THE RURAL HOUSEHOLD INFRASTRUCTURE PROGRAMME

The auditors set out to establish how the RHIG performed at the 57 local municipalities in achieving the objectives of the RHIP. Table 6 indicates the objectives of RHIP versus the objectives of RHIG.

Table 6: The objectives of rural household infrastructure programme versus the objectives of rural household infrastructure grant

Objectives of the RHIP	Objectives of the RHIG
To accelerate delivery of sanitation (and water supply) to meet the 2014 target	To accelerate the implementation of the grant in areas where municipalities generally have insufficient capacity
To contribute to job creation and local economic development	The training of beneficiaries in the on-going maintenance of assets
To support municipalities in addressing rural basic sanitation (and water supply) backlogs	To rapidly roll out on-site infrastructure
To contribute to the rural development priority of government	To leverage the capacity of NGOs and CBOs to assist in bridging the capacity gaps in local government while also increasing the role played by communities in project implementation and beyond
To contribute towards meeting the sanitation (and water supply) Millennium Development Goals targets of South Africa	
To improve the quality of life in rural communities	

During the audit, we identified the following findings:

6.1 By the end of the 2010 -11 financial year, the construction of 28,33% of targeted ventilated improved pit toilets had not begun

Tables 8 to10 indicate that the RHIG’s performance in delivering VIP toilets in the 2010-11 to 2012-13 financial years was poor. Companies A and B had not commenced construction on 28,33% of the VIP toilets targeted for the RHIP. Table 8 indicates that when the completed and handed over VIP toilets were reviewed as a percentage of the annual target, the lowest performance of the RHIP in the 2010-11 financial year was in Limpopo and Free State, while Mpumalanga and Northern Cape performed very well.

In the second financial year of implementing the RHIP, companies A and B were requested to submit recovery plans for performance improvement. However, an analysis of these plans indicated that their performance had still not improved. The department then commissioned a quantity surveying study to assess the bottlenecks in the delivery of the RHIP with the aim of identifying a solution. When the department realised that the targets of the RHIP could not be met by companies A and B, additional contractors were appointed to improve service delivery at a cost of R89 430 298. The inferior performance of companies A and B led to delays and additional expenditure on the RHIP.

¹¹ *VIP units target minus actual VIP units completed and handed over minus VIP units currently under construction*

Table 7: Delivery performance of rural household infrastructure grant for the 2010-11 financial year

Province	Target number of VIP toilets	VIP units completed and handed over	VIP toilets currently under construction	VIP toilets started	VIP toilets not started	Percentage of target VIP toilets not started
Delivery performance of the RHIG – 2010-11						
Northern Cape	400	390	10	400	0	0,00%
Limpopo	3 600	808	1 127	1 935	1 665	46,25%
KwaZulu Natal	3 675	1 752	783	2 535	1 140	31,02%
Eastern Cape	2 567	829	1 338	2 167	400	15,58%
North West	828	698	110	808	20	2,42%
Free State	400	100	150	250	150	37,50%
Mpumalanga	450	435	13	448	2	0,44%
Total	11 920	5 012	3 531	8 543	3 377	28,33%

6.2 The rural household infrastructure programme underperformance in Limpopo and Mpumalanga in 2011-12

We noted that companies A and B had not commenced construction on 16,66% of the VIP toilets targeted for the RHIP in all seven provinces. Although this indicated an improvement in the overall performance of the RHIG in delivering on the RHIP in the 2011-12 financial year, the persistent underperformance had an undesirable impact on the RHIP achieving its objectives. Table 9 indicates that Limpopo and Mpumalanga were the lowest performing provinces when the VIP units that were completed and handed over were reviewed as a percentage of the annual target for the 2011-12 financial year. Eastern Cape had the highest percentage of VIP units that were completed and handed over.

Table 8: Delivery performance of rural household infrastructure grant for the 2011-12 financial year

Province	Target number of VIP toilets	VIP units completed and handed over	VIP toilets currently under construction	VIP toilets started	VIP toilets not started	Percentage of target VIP toilets not started
Delivery performance of the RHIG – 2011-12						
Northern Cape	507	320	54	374	133	26,23%
Limpopo	5 864	2 015	1 597	3 612	2 252	38,40%
KwaZulu Natal	7 967	5 920	833	6 753	1 214	15,24%
Eastern Cape	7 462	7 129	329	7 458	4	0,05%
North West	3 551	2 533	255	2 788	763	21,49%
Free State	1 297	936	203	1 139	158	12,18%
Mpumalanga	1 038	372	578	950	88	8,48%
Total	27 686	19 225	3 849	23 074	4 612	16,66%

¹² VIP units target minus actual VIP units completed and handed over minus VIP units currently under construction

6.3 Construction of 45,76% of VIP toilets targeted for the rural household infrastructure programme had not commenced by the end of the 2012-13 financial year

Table 10 indicates that in the 2012-13 financial year, the RHIG performed poorly in Limpopo and Northern Cape, while the highest percentage of VIP toilets completed and handed over was observed in Mpumalanga. At the end of the 2012-13 financial year, companies A and B had not commenced construction on 45,76% of the VIP toilets targeted for the RHIP. The overall performance of the RHIG in delivering on the RHIP therefore declined in the 2012-13 financial year. This could have been as a result of the department's decision to reduce the scope of work given to company B due to its lack of capacity to deliver the number of units targeted for the RHIP.

Table 9: Delivery performance of rural household infrastructure grant for the 2012-13 financial year

Province	Target number of VIP toilets	VIP units completed and handed over	VIP toilets currently under construction	VIP toilets started	VIP toilets not started	Percentage of target VIP toilets not started
Delivery performance of the RHIG – 2012-13						
Northern Cape	503	0	0	0	503	100,00%
Limpopo	7 305	1 074	505	1 579	5 726	78,38%
KwaZulu Natal	11 559	3 600	949	4 549	7 010	60,65%
Eastern Cape	9 982	5 930	815	6 745	3 237	32,43%
North West	4 066	3 211	315	3 526	540	13,28%
Free State	1 662	1 379	30	1 409	253	15,22%
Mpumalanga	2 667	2 666	0	2 666	1	0,04%
Total	37 744	17 860	2 614	20 474	17 270	45,76%

Figure 13: Percentage of ventilated improved pit toilets completed per province per financial year

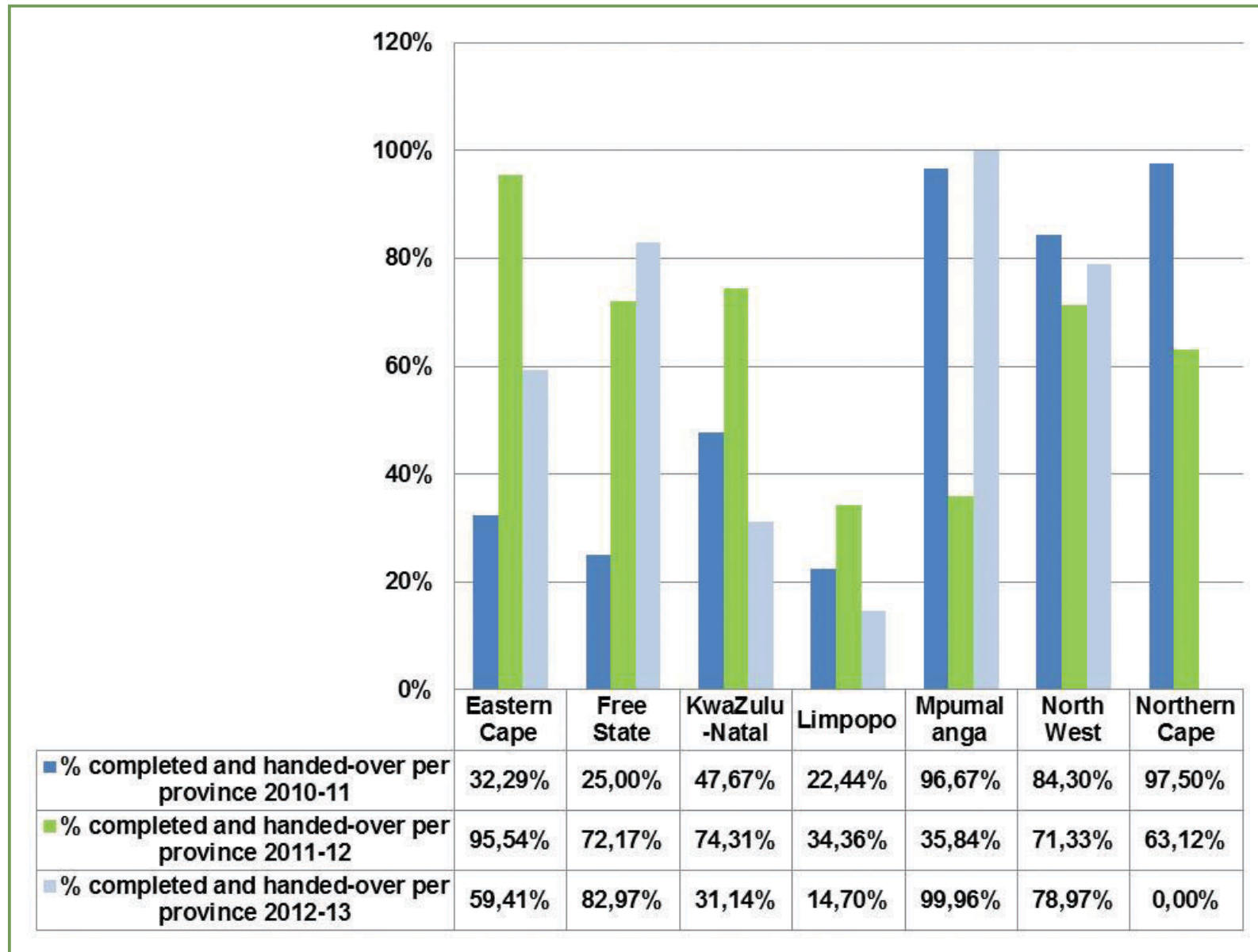
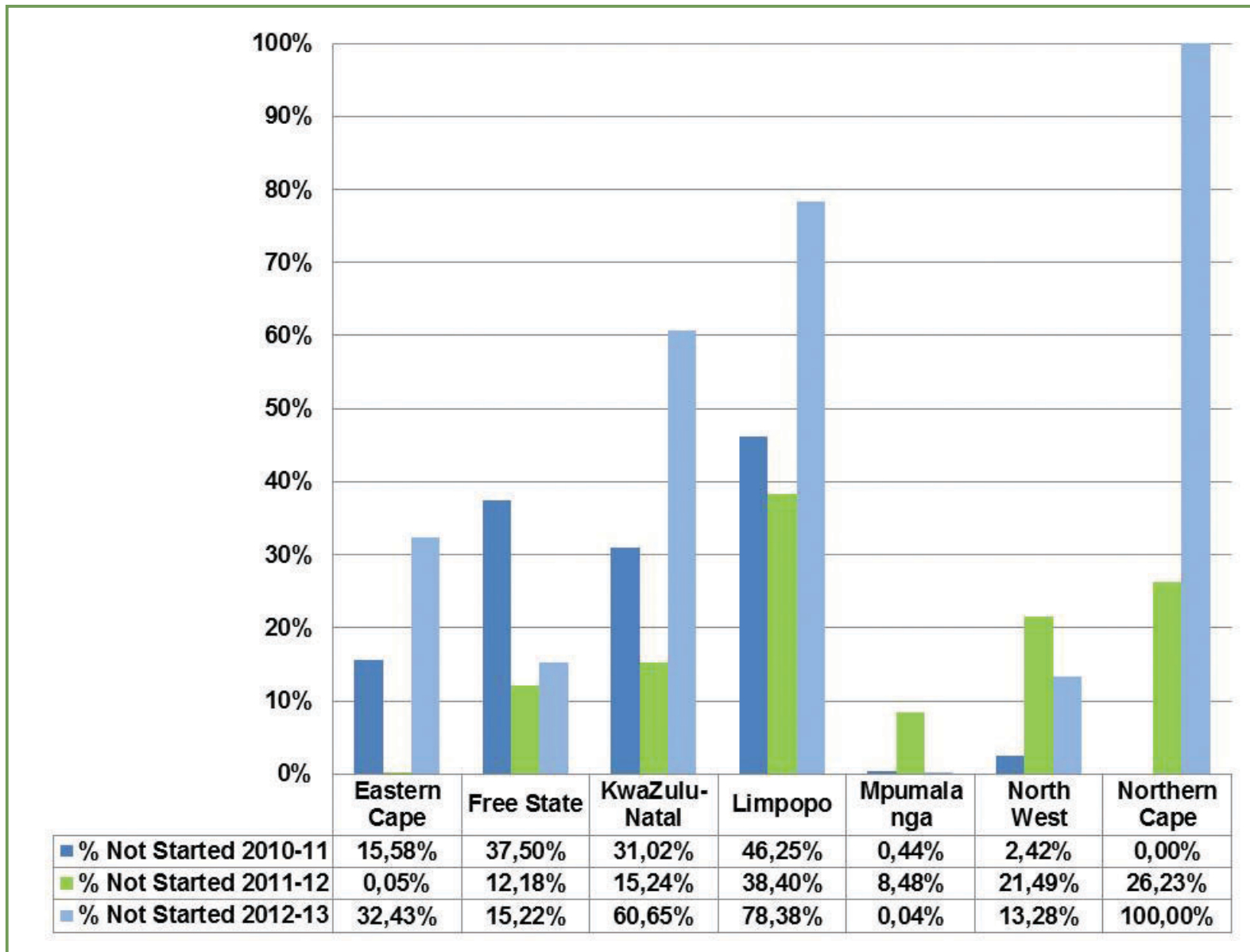


Figure 13 illustrates the percentage of VIP toilets completed, compared to figure 14, which indicates the work that had not yet started in each province for all three financial years.

Figure 14: Percentage of ventilated improved pit toilets not started per province per financial year



6.4 Inconsistent delivery rate

The rate of delivery per province per financial year did not remain consistent as some provinces, such as Mpumalanga, North West and Northern Cape had a high delivery rate in 2010-11, which declined the following financial year. On the other hand, Eastern Cape, Free State, KwaZulu Natal and Limpopo started slowly in the 2010-11 financial year, but their delivery rate increased in the following financial year. The Free State was the only province that showed a steady increase in its delivery rate year on year, while the Northern Cape was the only province that showed a steady decrease in its delivery rate year on year. Figure 14 indicates that in all three financial years, Limpopo had one of the highest percentages of work not started, which was only exceeded by the Northern Cape in 2012-13 because the province did not deliver a single unit on the RHIP.

6.5 The management consultant's recommendations not implemented

During the assessment of the RHIP consolidated progress monitoring close-out reports for the 2010-11, 2011-12 and 2012-13 financial years, prepared by the management consultant, some key challenges were raised that contributed to the poor performance of the RHIG in delivering on the objectives of the RHIP. By April 2013, some of the key challenges, such as the inability to excavate due to hard rock surfaces, which were raised in the 2010-11 financial year, had not been addressed by the department. This contributed to quality issues and expenditure increases experienced in the implementation of the RHIP.

6.6 Inaccurate reporting by the department

The information maintained by the National Sanitation Programme Unit (NSPU), regarding the delivery of VIP toilet units per province was not consistent with the RHIP consolidated progress monitoring reports compiled by the management consultant regarding its site visits conducted during the 2010-11 financial year. The inconsistencies are indicated in table 10.

Table 10: Implementation progress per province – 2010-11 financial year

Province	VIP toilets completed and handed over as at 31 March 2011			VIP toilets under construction as at 31 March 2011		
Province	* NSPU information	Management consultant RHIP Close-out report**	Difference	* NSPU information	Management consultant RHIP Close-out report**	Difference
Eastern Cape	829	957	(128)	1 338	1 197	141
Free State	100	100	0	150	150	0
KwaZulu Natal	1 752	1 586	166	783	397	386
Limpopo	808	742	66	1 127	1 193	(66)
Mpumalanga	435	435	0	13	12	1
North West	698	691	7	110	112	(2)
Northern Cape	390	392	(2)	10	0	10
Total	5 012	4 903	109	3 531	3 061	470

* The figures above are based on the information supplied by the department on 29 April 2013.

** The figures above are based on the provincial RHIP consolidated progress monitoring reports received from the management consultant regarding site visits conducted by them for the 2010-11 financial year.

The department received the figures of VIP toilets completed from the management consultant. However, they decided to compile their own figures using information they had received from companies A and B. As a result, in some cases the NSPU recorded lower completion figures in Eastern Cape and Northern Cape than the management consultant and higher figures in KwaZulu Natal, Limpopo and North West. By verifying the management consultant's completion list, the department demonstrated that it did not have full confidence in the work done by its project management consultant. The inaccuracy in the reporting meant that the department could not accurately assess the performance of the RHIP.

6.7 Inefficiencies in the planning and administration

The audit set out to establish whether the planning and administration had been effective throughout the implementation of the RHIP. We noted the following findings:

- a. During the audit we found numerous instances of poor quality work even though companies A and B had indicated full compliance in the checklists and completion certificates. Some of these checklists were not signed by all parties, notably the management consultant. We also noted that in some cases handover dates had not been completed on the asset registers. In addition, some of the asset registers had no identity numbers, stand numbers or toilet numbers. This meant that the asset registers could not be regarded as an entirely reliable monitoring tool because the information provided was incomplete.
- b. Most of the local municipalities visited did not have EIA reports or geotechnical reports. We could not obtain the EIA reports from the district municipalities. Groundwater protocol reports addressing EIA scoping, geotechnical conditions and feasibility studies were available at most municipalities. However, there was no indication of whether a

feasibility study had been done to determine the best sanitation technology for the municipalities concerned.

- c. Some municipalities could not provide a sanitation master plan for the areas where the municipalities intended to implement the RHIP. The sanitation priorities were, in most cases, not documented and the municipalities did not have a plan that indicated the type of sanitation required or the anticipated time frames for completion of the RHIP project. Documentation was not provided to the auditors to demonstrate that these municipalities had a sound strategy to deal effectively with the sanitation backlog. Regional sanitation coordinators were unable to confirm the existence of these documents, resulting in a limitation on the scope of the audit. We could therefore not conclude whether adequate planning had been done by either the municipalities or the department before the RHIP was implemented.
- d. In the seven provinces visited, the regional sanitation coordinators were not aware of whether detailed designs had been created and approved before the RHIP started. The department gave the designs directly to companies A and B and auditors could not determine whether the groundwater protocol findings for the various municipal areas had been considered before the designs were approved.

¹³ Geotech phase 1 is an investigation of prevailing sub-surface water, rock and soil conditions and geotech phase 2 is a summary of all sub-surface exploration data, i.e. soil profile, exploration logs, soil sample lab test results and groundwater information. It also provides engineering design recommendations to suit soil conditions.

¹⁴ A groundwater protocol report is an assessment based on the principle of risk level assessment and looks at the level of risk the sanitation project poses in terms of groundwater contamination in comparison to other sanitation alternatives.

¹⁵ A feasibility study indicates the municipality's needs, as well as what can and cannot be done in the area.

¹⁶ A sanitation master plan indicates the municipality's sanitation priorities and type of sanitation anticipated.

- e. Interviews held with company A indicated an intensive community development programme that had been adopted to train individuals to build the VIP toilets. However, the management consultant did not link the number of toilets on site to jobs created. As a result, the management consultant did not report on how the RHIG contributed to local economic development.

6.8 Recommendations

- a. The department and the relevant municipalities should increase the capacity in the provinces to ensure that delivery on the RHIP improves in order for them to meet the millennium development goals and the target of accelerating delivery of sanitation.
- b. The department and the relevant municipalities should introduce an effective management tool to track delivery on site against the national targets so that poor delivery trends can be addressed on time.
- c. The department and the relevant municipalities should establish one reporting mechanism for data collection and use it to improve the project management of the RHIP.
- d. The department and the relevant municipalities should create a reliable sanitation barometer against which targets and deliverables could be measured. It should also be updated periodically to reflect backlog reduction, as well as increases, and reasons should be provided for these trends. This will also assist the department to track deliverables on the RHIP against the millennium development goals.
- e. The figures reported in the implementation progress per province for the 2010-11 financial year, should be corrected to reflect the actual

completions as at 31 March 2011.

- f. The department and the relevant municipalities should review the targets set for the Northern Cape for 2012-13 and interrogate the non-delivery on the RHIP in the 2012-13 financial year.
- g. The department and the relevant municipalities should report on how the RHIG has contributed to job creation and local economic development. This will indicate whether the grant has been able to achieve the requirements of the RHIP to create employment and economic development in the areas where the VIP toilets have been constructed.

CONCERN 7: THE PERFORMANCE OF THE RURAL HOUSEHOLD INFRASTRUCTURE GRANT TENDER IN DELIVERING ON THE OBJECTIVES OF THE RURAL HOUSEHOLD INFRASTRUCTURE PROGRAMME, WITH REFERENCE TO THE TENDER AWARDED TO IMPLEMENTING AGENTS AND OTHER SERVICE PROVIDERS CONTRACTED FOR THE SANITATION PROGRAMME

The portfolio committee raised concerns about the performance of the RHIG tender delivering on the objectives of the programme. To address this concern the auditors evaluated how the tender was awarded to the management consultant, company A and company B. Thereafter, the auditors did an assessment of the project management capabilities of the service providers, the project manager and officials of the department versus compliance with approved standards and the expenditure patterns of the RHIG. The audit then looked at how these impacted on the performance of the RHIG in delivering on the RHIP.

The audit revealed that the RHIG tender was not successful in assisting the department to meet the objectives of the RHIP because both implementing agents experienced difficulty in completing the toilets that were allocated to them on an annual basis. This could be attributed to the following findings:

7.1 There were inefficiencies in the tender process that contributed to the poor performance of the RHIG tender

The manner in which companies A and B were appointed for the RHIP did not adhere to the procurement processes. Although a direct link cannot be made between the appointment of the service providers and their performance on the RHIP, it is reasonable to infer that had the proper procurement process been followed, the BEC could have probed further into the project plan presented by companies A and B and identified potential gaps before appointing them.

Furthermore, the terms of reference was not clearly understood by all bidders, which led to many of the bidders being disqualified. This could have been resolved by having a compulsory briefing session, where bidders would have had the opportunity to seek clarity on the terms of reference. This would have enabled bidders to submit more competitive bids.

The department could have employed more stringent evaluation criteria in evaluating the functionality of bids to avoid the inefficiencies that were later identified in this tender.

By not complying with the directive of the National vetting strategy, the department missed an opportunity to identify and manage potential risk in making this appointment. As a result the department had to pay company B in advance to commence with the project a month into their appointment. Moreover, irrespective of this cash injection, company B was still unable to meet its obligations.

7.2 The department did not enable clear reporting lines between the management consultants and companies A and B, which contributed to the poor performance of the RHIG tender

The auditors observed that the operational arrangements put in place by the department for the RHIP were not clear. This caused many misinterpretations that negatively affected the performance of the RHIG tender in delivering on the objectives of the RHIP.

The management consultant was appointed as the programme and project managers for the RHIP five months before companies A and B. However, when companies A and B were appointed, the department failed to clearly outline how they would interact with, and report to, the management consultant.

The SLA signed with companies A and B indicated that they would report directly to the department on the project. This created a duplication of functions whereby all parties involved on the project reported directly to the department on the same issues.

The inability to clarify roles on the project opened the project up to inconsistent reporting and an opportunity for the management consultant to neglect some of its project management roles. This put further strain on the project and worsened the poor performance of the RHIG tender.

7.3 Ineffective performance management

The SLA between the department and the management consultant was not based on the performance of the RHIP and this contributed to the poor performance of the RHIG.

The management consultant did not have an effective information management system with which they tracked targets. This resulted in the performance of the RHIG tender not being effectively monitored throughout the duration of the RHIP.

The management consultant did not attend site meetings so they relied on the regional sanitation coordinators and companies A and B to collect data for reporting purposes. As a result, the information they presented to the department was not always verified by them.

Table 11 indicates the overall performance of the RHIP as at 22 March 2013. It shows that the RHIP did not perform well, especially in the first year, since companies A and B had to set up their operations before construction of the VIP toilets could start. Companies A and B slowed down their operations at the beginning of each financial year which affected the momentum on site. This resulted in the delays related to the re-establishment of sites at the beginning of each financial year.

Table 11: Delivery on the rural household infrastructure grant by companies A and B between the 2010-11 and 2012-13 financial years

Percentage of targets achieved		
Project phase	Company A	Company B
RHIP 1	55%	32%
RHIP 2	62%	82%
RHIP 3	91%	50%

7.4 The RHIG exhibited inconsistent expenditure patterns throughout the duration of the RHIP

There was a trend in payments made to companies A and B that showed a significant expenditure hike during the last quarter of each financial year. This sudden hike could be attributed to payments being made to avoid significant budget roll-over at the end of the financial year.

There were some inconsistencies between the actual expenditure and the actual number of VIP toilets built and handed over. This was as a result of payments being made for incomplete work and material on site. All this was done in an attempt to mitigate the effects of the poor performance of the RHIG tender in delivering on the objectives of the programme.

Companies A and B's inability to increase their staff capacity throughout the period of the programme, and not just during the last three months of each financial year, can be directly attributed to the ineffectiveness of project management in the RHIP. This could have been as a result of the ineffectiveness of the department's procurement process that led to the appointment of poorly performing service providers.

7.5 The implementing agents were unable to meet their annual targets

Company B was unable to deliver its targeted toilets even though it had received a cash advance from the department to commence with the construction. In the end,

¹⁷ The RHIP was divided into three phases according to financial years: RHIP 1 in 2010-11, RHIP 2 in 2011-12 and RHIP 3 in 2012-13

both companies A and B were unable to meet their annual targets. This resulted in the department taking a decision to reduce the scope of work for company B and appointing additional contactors in 2013 to fulfil its commitments.

7.6 Recommendations

- a. The department should revise the functionality criteria used in evaluating bids to assess the capacity of service providers to cope with the workload.
- b. The department should do a proper risk assessment such as verifying organisations as going concerns.
- c. The department should verify the viability of the project plans submitted by service providers to mitigate risk.



ANNEXURE A

ANNEXURE A

According to SANS 10365-1 of 2004, a normal approved VIP toilet structure specification must look like the VIP toilet below which was found at Bushbuckridge municipality during the site visits.

For a VIP toilet to be compliant with the SANS, it must adhere to the following specifications:

- It must have a pit into which the excreta falls with a slab covering.
- The slab covering must be made of concrete or cement-mortar and have two holes, one for the excreta to fall through and one for the vent pipe.
- It must have a superstructure providing privacy, preventing light from entering the pit.
- It must have a vent pipe that removes odour from the pit that is at least 110mm and extends at least 500mm above the highest point of the roof and a fly screen at the top of the vent pipe which prevents flies from entering or exiting the pit.
- It must be constructed from prefabricated materials which are structurally sound, durable, resistant to rust and weatherproof and waterproof.
- It must have hinges, locks and handles that are of robust construction and resistant to corrosion (rust).
- The round pits must have a diameter between 1m to 1,5m and square pits have a width of 1m to 1,5m.
- It must be situated downhill and at least 30m from a borehole or a well to avoid penetration of the water table.
- The VIP toilet structure affords privacy of use by facing towards the house with a lockable steel door that must open inwards, to prevent the wind from breaking it.



- It must not be built under or near trees, and situated in such a way that a vacuum tanker can approach the VIP toilet to within 30m of the toilet when it needs to be de-sludged.
- The pedestal must be between 350mm and 450mm high.
- The toilet seat must be properly fixed to the pedestal.
- It must have a basin for hand wash or a water holder or box, with a water bottle inside, for washing hands.





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