

Report of the Auditor-General of South Africa to Parliament on a performance audit of the infrastructure delivery process at the provincial departments of Education and Health

August 2011



**AUDITOR - GENERAL
SOUTH AFRICA**

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Parliament on a performance audit of the infrastructure
delivery process at the provincial departments of
Education and Health

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SECTION 1: FOREWORD

Performance auditing plays an important role in improving financial management and accountability in the public sector and through these audits we continue to contribute towards strengthening our country's democracy. It is therefore a privilege to present to Parliament the Report of the Auditor-General of South Africa on a performance audit of the infrastructure delivery process at the provincial departments of Education and Health.

The provincial departments of Education and Health are responsible for infrastructure and the delivery of related services for their respective sectors. These departments were supported by implementing agents, usually the departments of Public Works, who played an important role in the planning, organising, monitoring and control of the infrastructure projects.

The scope of our coverage which focused on three critical areas revealed findings that require urgent corrective action by government.

1. The process of needs determination and planning was found not to be effective giving rise to unused and underutilisation of completed infrastructure.
2. A robust procurement system was not consistently applied thus compromising the transparency, accountability and economy with which decisions/commitments were made; and
3. Project management was not effective resulting in projects that were not completed on time and at the required level of quality and cost.

The underlying causes for the identified deficiencies as set out above, includes poor planning and co-ordination by and between departments, as well as a lack of skills and capacity in government to oversee complex infrastructure projects.

The outcomes of the performance audit were shared with the management of the affected departments as well as the national departments of Basic Education, Health and Public Works. Constructive dialogue took place on the outcomes and recommendations were well received. Management committed to immediate and drastic action to address the deficiencies in the report, including investigations and constant follow-up on corrective action.

Knowledge and insights obtained during the completion of the performance audit have been integrated into the annual regularity audits. In addition to following up on corrective actions taken by auditees, future regularity audit coverage will include auditing the acquisition (supply chain

management), project management and maintenance of material government projects across all sectors.

In addition to this consolidated report, province specific reports will be tabled in each Provincial Legislature. This report and the provincial reports will promote public accountability by providing the Legislatures with the relevant information to enable them to provide oversight.

I wish to thank the staff of the departments of Education and Health and their implementing agents for their assistance during the audits.

Auditor-General

Pretoria

August 2011



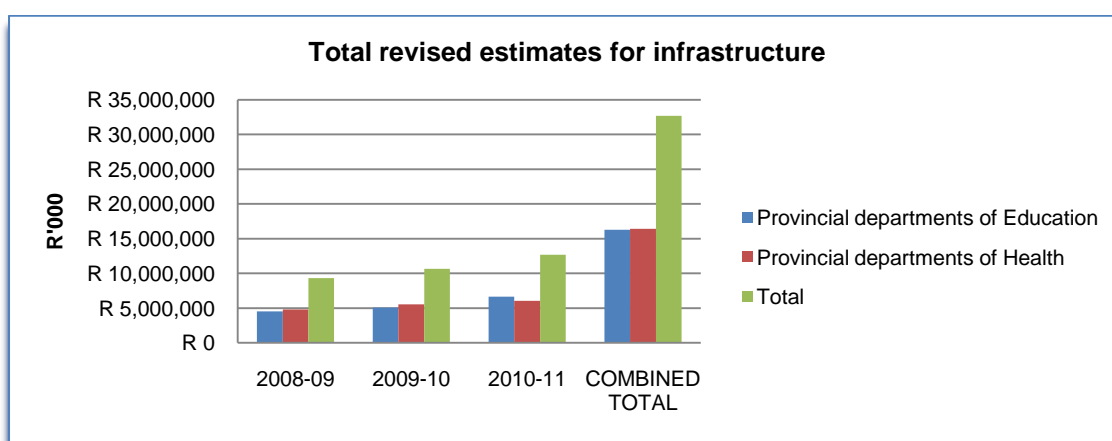
A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

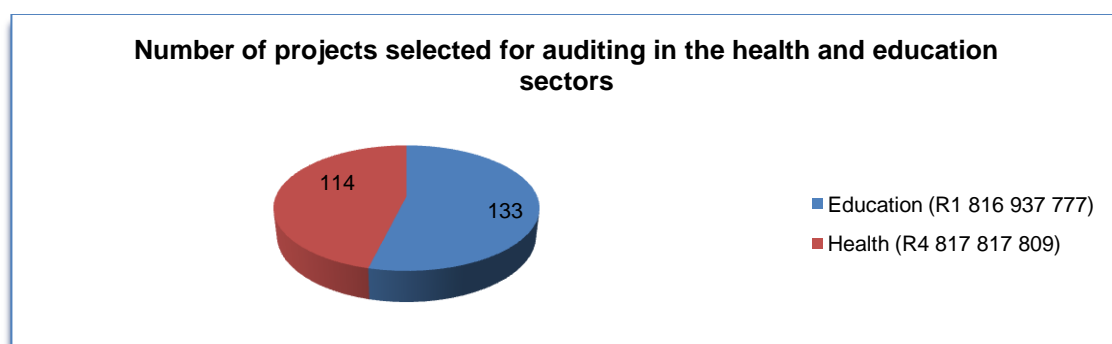
SECTION 2: EXECUTIVE SUMMARY

1. AUDIT SCOPE

- 1.1 For the purpose of the performance audit of the infrastructure delivery process, infrastructure was defined as expenditure on land, buildings and other fixed structures, as well as major renovations thereof. Expenditure on furniture, equipment and vehicles was excluded from the definition.
- 1.2 The performance audit was conducted at the provincial departments of Education and Health and their implementing agents. The audit focused on infrastructure projects that were completed recently or that were scheduled to have already been completed. The infrastructure budgets for these departments accumulated to more than R32 billion for the 2008-09 (R9,3 billion), 2009-10 (R10,7 billion) and 2010-11 (R12,7 billion) financial years.



- 1.3 Two hundred and forty seven (247) projects amounting to R6,635 billion were selected for detail auditing. Although the number of projects selected at health and education were similar, the average value of hospitals and clinics far exceeded the average project value of the construction of schools and classrooms. Most of the projects audited were running over a number of financial years.



1.4 Some documents on projects selected for auditing could not be submitted as reflected below. Therefore some of the procedures that were envisaged to be executed could not be performed. Where possible, alternative procedures were performed to obtain required information. Due to the documents not submitted it could, *inter alia*, not be determined if:

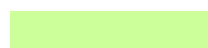
- Schools, hospitals and clinics were planned to ensure timely and effective service delivery;
- Contractors with the required skills and capacity were appointed in a fair, equitable and transparent way;
- Projects were managed effectively to ensure that it is completed on time, in budget and at the required level of quality; and
- Contractors corrected all identified defects before the final payment were made.

Summary of the number and value of projects that could not be audited in full due to lack of supporting documentation (indicated per key area).

Provinces	Key phase			
	Demand management	Acquisition management	Project management	Commissioning and utilisation
Eastern Cape	10 projects R505 mil	10 projects R505 mil	10 projects R505 mil	
Free State	16 projects R419 mil	4 projects R15 mil	7 projects R133 mil	6 projects R31 mil
Gauteng				
KwaZulu Natal	14 projects R192 mil	21 projects R132 mil	13 projects R77 mil	4 projects R26 mil
Limpopo	3 projects R65 mil	9 projects R93 mil	4 projects R28 mil	4 projects R88 mil
Mpumalanga	30 projects R250 mil	30 projects R250 mil	26 projects R244 mil	28 projects R247 mil
North West	1 project R3 mil	12 projects R73 mil	24 projects R380 mil	
Northern Cape		1 project R291 mil		
Western Cape				
TOTAL	74 projects R1 434 mil	87 projects R1 359 mil	84 projects R1 367 mil	42 projects R392 mil



Limitation of scope existed

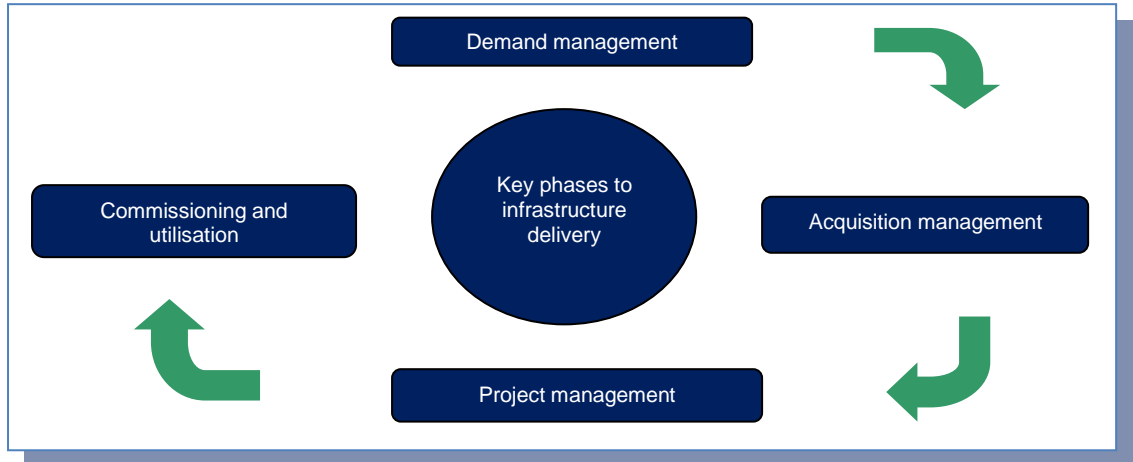


Most procedures could be executed

2. AUDIT FOCUS AND SUMMARY OF FINDINGS:

The key phases that were audited for infrastructure delivery are depicted below:

Key phases for infrastructure delivery



The performance audit concentrated on certain questions for each key phase to address the economical procurement and efficient and effective use of resources in erecting infrastructure.

2.1 Demand management

2.1.1 *Demand management is the first phase of infrastructure delivery and is an element of supply chain management. The objective is to ensure that the resources required to fulfil the needs identified in the strategic plan are delivered at the correct time, price and place and that the quantity and quality will satisfy those needs. A total needs assessment should be included as part of the strategic planning process of the institution and, hence, will incorporate the future needs.*

2.1.2 Audit questions

During the performance audit, the following questions with regard to demand management were considered:

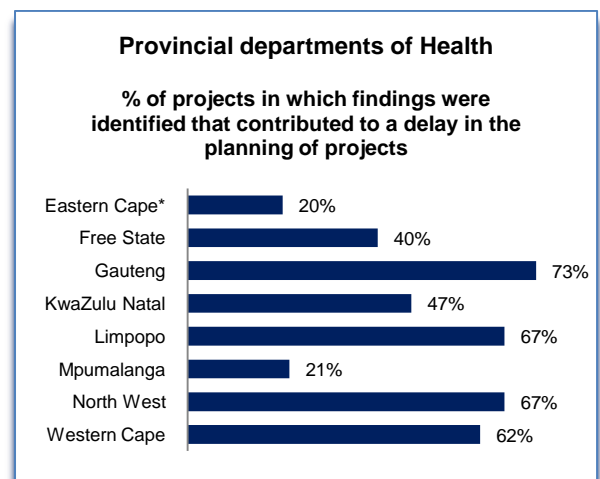
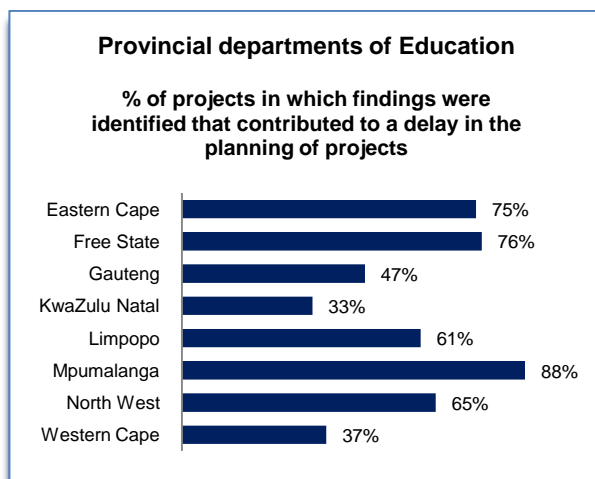
- a) Were the needs determination and planning for infrastructure projects completed in time and, if not, what were the reasons, extent and the effects thereof?
- b) Was the design for infrastructure projects done in time and cost-effectively, and did it

address the needs of the client department?

- c) Were the communication and coordination between the different role-players in the infrastructure delivery process effective to ensure comprehensive infrastructure delivery?

2.1.3 Findings

- a) The needs determination, planning and prioritising for infrastructure projects were not completed on time. The needs were identified up to 13 years prior to the acquisition of resources through tenders being awarded. The planning phases of projects were also delayed due to:
- A lack of capacity and qualified staff at the departments and implementing agents to ensure that comprehensive planning takes place in a timely manner;
 - Insufficient project information at the identification stage of projects to ensure that realistic values were allocated on the infrastructure budgets;
 - Projects being withdrawn after the design phase due to budgetary constraints; and
 - Some needs not being included in the initial planning which resulted in scope changes. This contributed to increases in the original budgets.
- b) The percentage of projects with findings that contributed to delays in the planning of the projects are summarised in the figures below.



* There was a limitation of scope therefore procedures could not be executed on some of the projects selected

- c) The designs for infrastructure projects were not done on time and, in some instances, the design period was longer than the construction period. Standardised plans were

not always used and design costs were duplicated as similar infrastructure facilities were individually designed.

- d) The communication and coordination between the departments, management, local authorities and/or communities were ineffective to ensure comprehensive infrastructure delivery, as all the role-players were not properly engaged during the planning of the projects. Service delivery was negatively affected as the projects were put on hold or were delayed due to scope changes. Furthermore, the projects were relocated from one site to another or new structures were demolished as buildings were erected on inappropriate sites.

2.2 Acquisition management

2.2.1 The Public Finance Management Act requires the accounting officers to ensure that the department has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective. The accounting officer should delegate officials within his/her supply chain management unit to deal with supply chain management processes. Bid Evaluation Committees are responsible for evaluating and scoring tenders and the Bid Adjudication Committees for making recommendations to the accounting officer regarding the awarding of bids. The principle should be vested such that no individual official should be in a position to take a decision in isolation regarding the awarding of bids.

2.2.2 Audit questions

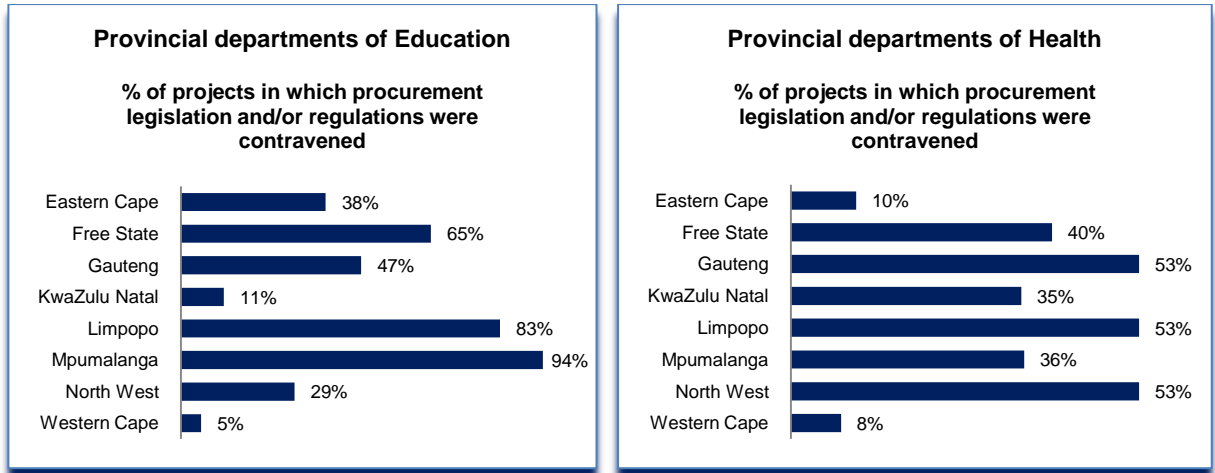
During the performance audit, the following question with regard to acquisition management was considered:

- a) Did the infrastructure project tender process ensure the timely, cost-effective and quality appointment of contractors?

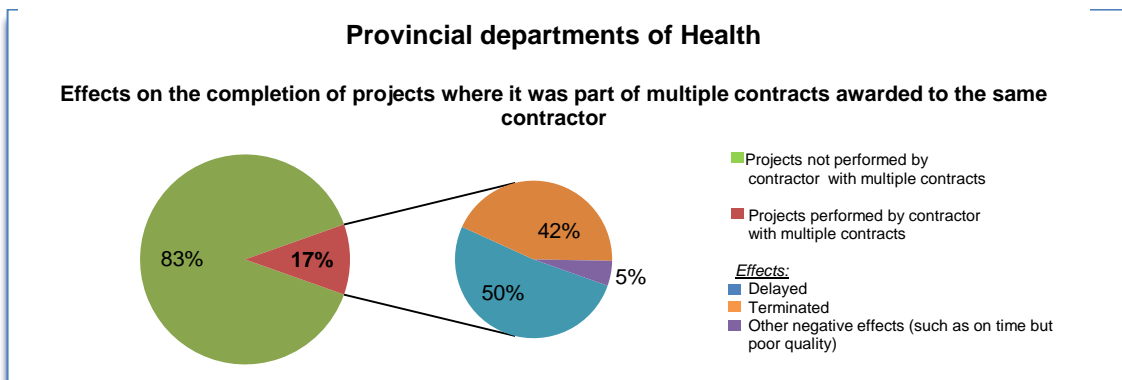
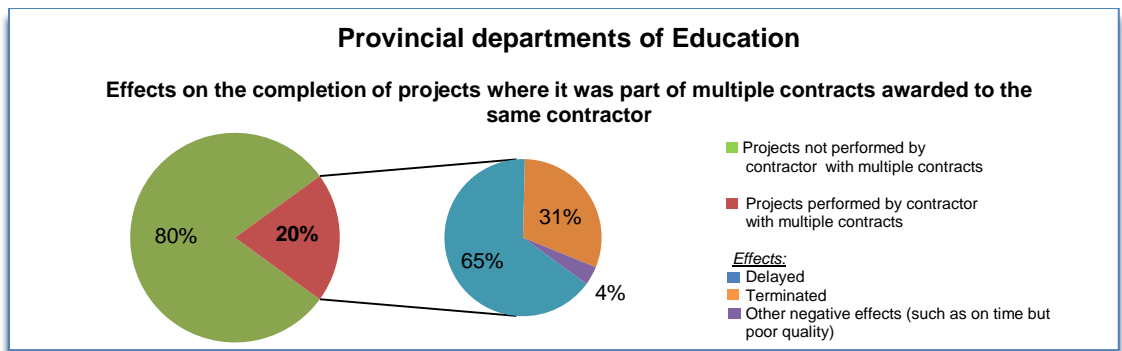
2.2.3 Findings

- a) Although South Africa has comprehensive legislation and regulations governing the supply chain management process, these were not always adhered to. In 43% of the projects selected for auditing, the departments deviated from the prescribed

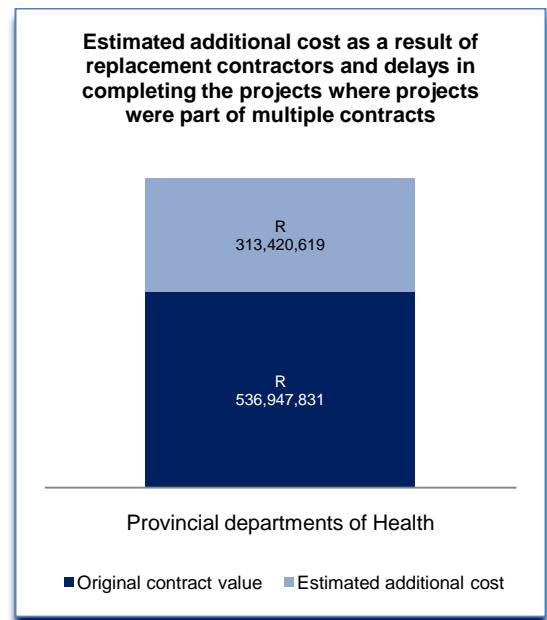
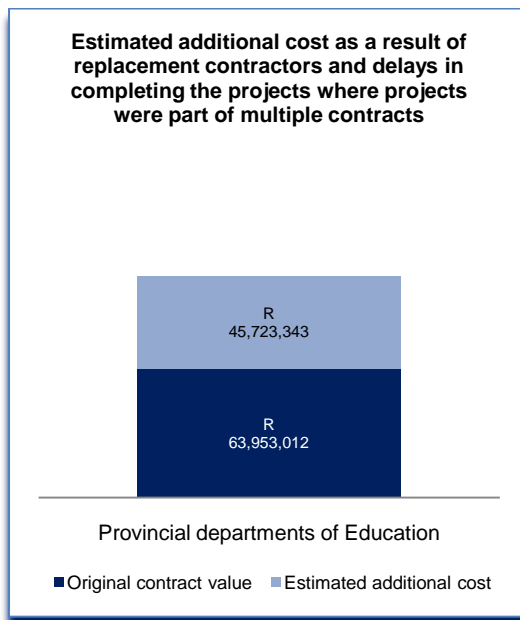
procurement legislation and regulations, as reflected below. In most of the projects audited, the departments used the provincial departments of Public Works or other service agents as their implementing agents. The implementing agents executed the acquisition process. The percentage of projects with findings in this regard:



- b) The appointment of contractors and consultants involved in infrastructure projects did not take place in a timely and cost-effective manner. Multiple contracts were awarded to contractors or consultants, as reflected below, without taking their capacity into account.



- c) Since capacity was not properly considered during the evaluation process, contracts with some of these contractors were subsequently terminated due to insufficient progress and/or unsatisfactory workmanship. Replacement contractors had to be appointed which resulted in higher project costs and delays in completing the projects. Where possible irregular, fruitless and wasteful expenditure was identified, the accounting officer was requested to investigate the matter and institute the actions as required by the Public Finance Management Act.



2.3 Project management

2.3.1 *Project management for infrastructure projects focuses mainly on the strategic and technical monitoring and evaluation of the execution of contracts. During this phase, the focus is on the achievement of critical target or delivery dates, the monitoring of current expenditure against progress and budgeted funds, the monitoring of quality against specifications as well as addressing risks with suitable interventions.*

2.3.2 Audit questions

During the performance audit, the following questions with regard to project management were considered:

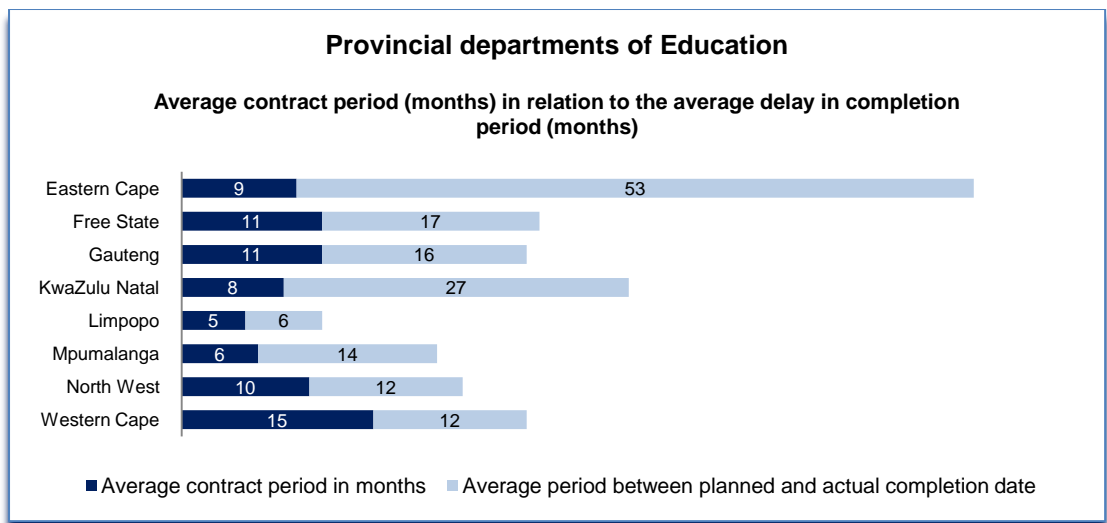
- a) Was project implementation effective to ensure the timely, cost-effective and quality

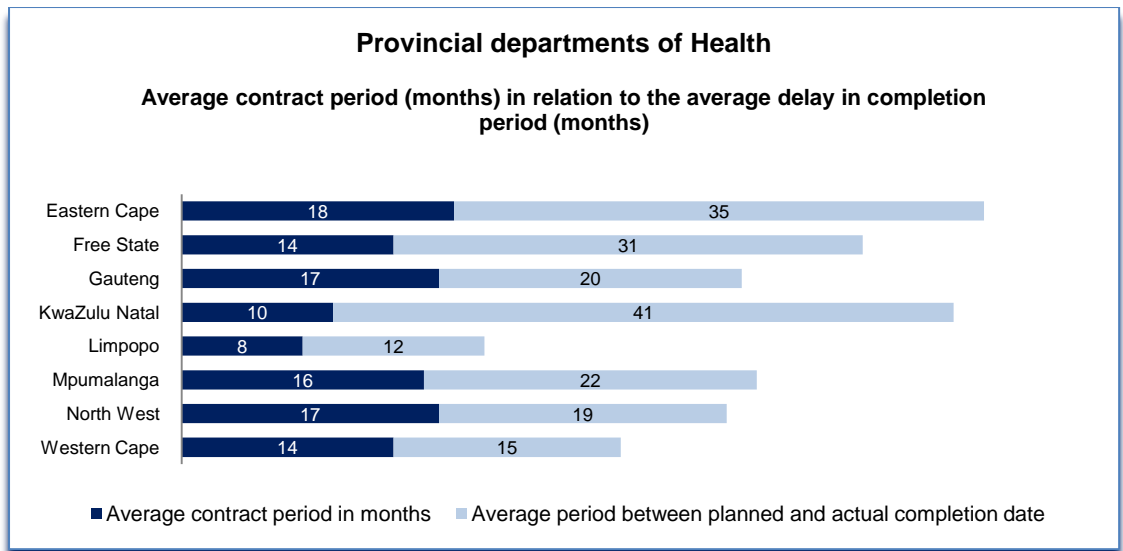
delivery of infrastructure projects? Were effective measures implemented to ensure that quality projects were completed on time and within budget?

- b) Did the client department and implementing agent effectively monitor and evaluate progress to ensure timely, cost-effective and quality infrastructure projects?
- c) Was the communication and coordination between the different role-players in the infrastructure delivery process effective to ensure comprehensive infrastructure delivery?

2.3.3 Findings

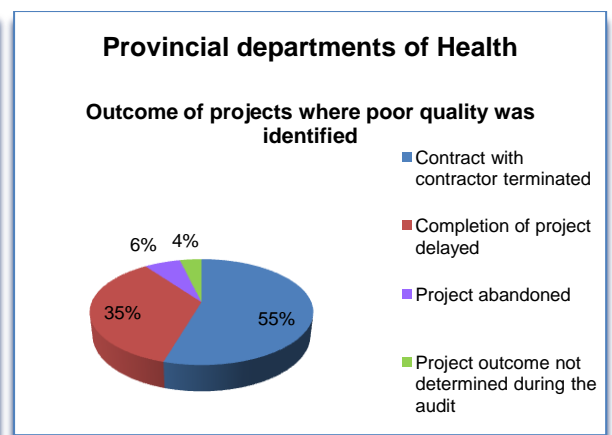
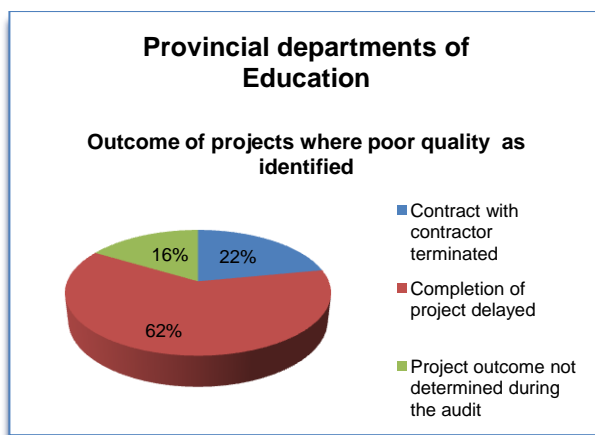
- a) When the provincial departments of Education and Health do not act as implementing agents, project management is the responsibility of the provincial departments of Public Works or the service agent that the provincial departments appoint to provide the technical skills. The departments of Education and Health nevertheless have to play an oversight role to ensure that the implementing agent is fulfilling its responsibility and that the end product will serve their needs. As the required technical skills were not always available, projects were not effectively monitored and evaluated to ensure that projects were completed in a timely and cost-effective manner and that the quality of work was at the required level. For 70% of the projects selected for detailed auditing, the projects were completed late or were still being constructed although the contractual completion dates had passed. The average delay for these projects amounted to 22 months, as computed in the graphs below:





b) Contracts with some of these contractors were terminated due to insufficient progress and poor quality of workmanship. The following serve as reasons why projects were not completed on time, within the budget and at the required level of quality as further illustrated in the graphs below:

- A lack of supervision and monitoring during the construction process and timely action was not taken timely against defaulting contractors;
- Inspections were not conducted or poor quality of work was not identified during inspections; in some instances the unsatisfactory work was identified but left unaddressed;
- Penalties for slow progress and the late completion of projects were not consistently enforced; and
- Late payments to the contractors contributed to cash flow problems, which resulted in the suspension of projects, delays and unsatisfactory workmanship.



2.4 Commissioning and utilisation

2.4.1 Commissioning is the final phase towards completing the project. The contractor commissions the completed building to the client department for occupation and use. Delays during the construction process led to projects not always being commissioned in time by the departments.

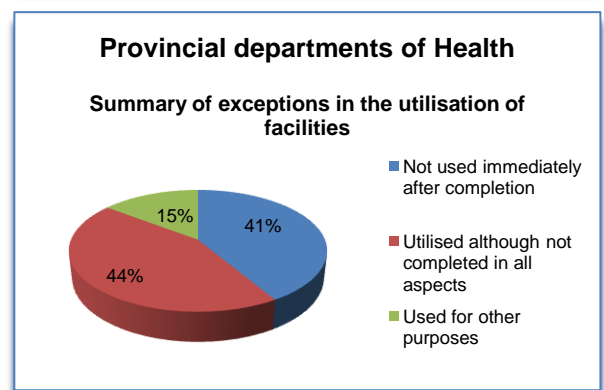
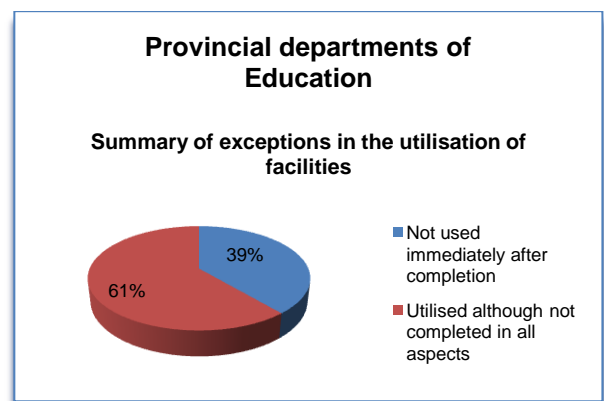
2.4.2 Audit questions

During the performance audit, the following questions with regard to commissioning and utilisation were considered:

- Were completed projects commissioned in time and did the projects address the need of the client department?
- Was infrastructure optimally used to ensure effective and efficient service delivery?

2.4.3 Findings

- Completed projects were not always used for their intended purposes. Facilities were also unused for up to six years or not fully operational as they were unsafe due to construction defects that were identified after the commissioning, but were left unaddressed.
- Insufficient coordination and liaison between officials at the departments or the other implementing agents resulted in newly constructed hospitals, clinics and schools, or sections thereof, not being optimally used at the time of commissioning. The completion times of the contractors, the appointment of staff and the availability of equipment and municipal services were not



sufficiently synchronised. This led to facilities that were commissioned, but not used for as long as 12 months due to staff shortages and a lack of equipment.

SECTION 3: AUDIT RECOMMENDATIONS AND DEPARTMENTAL COMMENTS

3. RECOMMENDATIONS

3.1 *At a national government level, it is recommended that:*

3.1.1 A specific policy¹ that deals comprehensively with the infrastructure delivery process and guidelines should be implemented. The following should *inter alia* be addressed:

- a) Roles and responsibilities of the national department, provincial departments and implementing agents should be defined;
- b) The process and information to be used to facilitate the needs determination that should indicate, for example, how to interpret and validate statistical information and demographic trends;
- c) A formal prioritisation model to facilitate the ranking of needs to ensure that the most urgent needs are addressed first;
- d) Stakeholder interaction and consultation such as community organisations, governing bodies and local authorities;
- e) The independent approval of deviations from prescribed procurement processes should be clarified;
- f) Guidance on the evaluation of contract proposals especially with regard to the evaluation of the capacity of contractors to execute multiple contracts;
- g) Communication between departments and provinces of contracts awarded, and contractors and consultants not performing according to expectations; and
- h) Coordination between the different role players to ensure that projects can be commissioned and utilised at first handover.

3.1.2 National norms and standards for infrastructure should be developed and incorporated into standard and uniform designs to reduce professional fees.

¹ *During the course of the audit, the Department of Basic Education developed a policy that was published during 2010. Although the National Department of Health instituted numerous corrective actions, a specific policy has not been compiled.*

3.2 *At a provincial government level, it is recommended that:*

- 3.2.1 The document management system should be strengthened to ensure that all the relevant documents from the initial needs determination up to project closure are available. Furthermore, disciplinary actions against responsible persons should be considered where documentation could not be submitted for auditing purposes.
- 3.2.2 The policy referred to in paragraph 3.1.1 above, should be properly implemented, and adherence thereto be monitored.
- 3.2.3 Leadership oversight during all phases of the infrastructure delivery process should be strengthened. These should, *inter alia*, include :
- a) Effective supervision and oversight of the planning process to ensure that correct needs are identified and addressed;
 - b) Oversight of the supply chain management process to ensure adherence to legislation and regulations;
 - c) Effective evaluation of skills and capacity before contracts are awarded;
 - d) Approval of deviations from the contract specifications on the appropriate level; and
 - e) Adherence to project management principles, including monitoring, adherence to contract specifications, the issuing of variation orders and the treatment of sureties and retention monies.
- 3.2.4 Staff involved in the supply chain management process should be trained in the application of the relevant legislation and regulations. In instances where these were not followed, it should be investigated and where necessary disciplinary actions should be instituted.
- 3.2.5 Officials should be trained in project management skills and supervised to ensure that tasks are executed effectively.
- 3.2.6 The number of technical staff and project managers required to effectively manage complex infrastructure projects should be scientifically established. Sufficient positions should be created for qualified technical staff where necessary and vacancies should be filled.

3.2.7 The Construction Industry Development Board register should be consulted to determine the contractor's capacity before bids are awarded. Furthermore, contractors not performing to the contract specifications should be reported to the Construction Industry Development Board.

3.2.8 Unutilised or underutilised facilities should be identified, recorded and investigated to determine whether it can be effectively utilised to promote service delivery.

4. COMMENTS FROM THE DEPARTMENT OF BASIC EDUCATION

4.1 The Department of Basic Education has or is in the process of developing measures to deal with some of the findings. A National Policy, for an equitable provision of an enabling school physical teaching and learning environment, was developed and published on 11 June 2010. In the process of actualising the said policy, the following have been initiated:

- a) The Department has developed norms and standards for school infrastructure.
- b) Provinces submit infrastructure plans on an annual basis to national Treasury and to the Department of Basic Education;
- c) Additional funding has also been received by the Department with effect from the 2011-12 financial year to deploy additional technical assistants both at the Department and in provinces. The approach is being pursued to strengthen capacity in inter alia application of structured standardised processes to resolve infrastructure problems, improve inter- and intra-governmental cooperation, develop organisational structures in provincial departments of education to be responsible for infrastructure and increase the number of professional technical personnel;
- d) The Department is in a process of developing a menu of prototype designs, a cost model and a design guide/manual; and
- e) Provincial departments of Education's capacity will be strengthened through the Infrastructure Delivery Improvement Programme and the Support Programme for Accelerated Infrastructure Development.

4.2 To further strengthen the measures above, the Auditor-General of South Africa recommends that the Department of Basic Education should monitor the provincial school building programme. This will enable the Department to identify bottlenecks in specific provinces or issues affecting all provinces transversally that hamper service

delivery.

5. COMMENTS FROM THE NATIONAL DEPARTMENT OF HEALTH

- 5.1 The following remedial action has been put in place and is underway to address the challenges related to the management and planning for health infrastructure:
- a) An engineer has been appointed at the national Department of Health to oversee all aspects of infrastructure including the hospital revitalisation grant. Furthermore, the National Health Council has approved that all provincial departments of Health should appoint resident engineers;
 - b) Support to the provincial departments of Health by the national Department of Health has been strengthened;
 - c) An integrated approach is being implemented to address health technology and infrastructure as one programme to ensure efficiency and better planning;
 - d) Improved planning is being implemented to ensure that funding is aligned to the milestones and phases of the infrastructure plans, including maintenance and efficient management of professional fees per project;
 - e) Expenditure per project is being monitored on a monthly basis to address possible under expenditure in advance and intervene where applicable. This applies to the management of cash flow too, as well as avoiding late payments and interest charged;
 - f) Consultation with provinces has improved through the newly established Provincial Progress Review Committee meetings chaired by the national Department of Health; and
 - g) As part of the strengthening capacity and monitoring of projects, Service Level Agreements will be signed with all the provincial departments of Health and Public Works with the intention to clearly define the role of the various service providers providing coordination functions.
- 5.2 The national Department of Health intends developing standard and uniform designs of health facilities to reduce the professional fees in this area and to standardise the format of consultant appointments, with clear descriptions of scope of work and their roles in the professional teams.

6. SUMMARY OF THE COMMENTS FROM THE ACCOUNTING OFFICERS OF THE PROVINCIAL DEPARTMENTS OF EDUCATION AND HEALTH

- 6.1 Accounting officers responded positively on the management reports and indicated that wide ranging corrective actions will be implemented. These include:
- a) The needs determination and planning process will be improved by appointing more technically qualified staff;
 - b) The Supply Chain Management process will be improved by training staff in procurement legislation and regulations; this will lead to the appointment of competent contractors;
 - c) The Construction Industry Development Board requirements will be implemented and steps will be taken against poor performing contractors;
 - d) Project management will be improved through training of staff;
 - e) Communication with other role players will be improved;
 - f) Utilisation of unused or underused infrastructure will be investigated; and
 - g) Record management will be strengthened.

SECTION 4: DETAILED REPORT

7. PURPOSE AND CONTENT OF THE REPORT

- 7.1 The performance audit was conducted on the infrastructure delivery process as per section 188(4) of the Constitution of the Republic of South Africa, 1996, read in conjunction with sections 5(3) and 20(3) of the Public Audit Act, 2004 (Act no. 25 of 2004). The purpose of this report is to inform Parliament of the transversal findings made during the performance audits at the provincial departments of Education and Health.
- 7.2 Audit work was performed to provide sufficient audit evidence for the findings set out in this report.
- 7.3 It is expected that this report will give rise to corrective steps, at national and provincial level, that would contribute constructively to the establishment and implementation of appropriate management measures and controls and, consequently, to improved value for money.

- 7.4 The responsibility for instituting these measures rests with management. The primary objective of performance auditing is to confirm independently that these measures do exist and are effective and to provide management, Parliament and other legislative bodies with information, by means of a structured reporting process, on shortcomings in management measures and examples of the effects thereof. The Auditor-General's function is not to question policy. It is, however, his responsibility to audit the effect of policy and the overall management measures that lead to policy decisions.

8. AUDIT PROCESS

- 8.1 Performance audits are conducted in accordance with *the Performance Audit Manual, 2008* that contains the policies, standards and guidelines for the planning, execution, reporting and follow up of performance audits conducted in the public sector. In view of the complexity of the environment to be audited, each performance audit focuses on a segment of the activities of a particular institution. Preference is therefore given to the more important aspects.
- 8.2 When the initial arrangements were made for the performance audits, the management of the individual provincial departments of Education and Health were informed in detail regarding the objectives and *modus operandi* of the performance audits. After consensus was reached during steering committee meetings on the factual correctness of the findings in the management reports, the findings were brought to the attention of the individual provincial departments of Education and Health.
- 8.3 Reports will be submitted to the provincial legislatures and Parliament to communicate the findings and corrective actions envisaged by the accounting officers. These reports will also indicate any corrective actions contemplated by the national departments of Education and Health. To ensure that the audit of infrastructure is continued in future years, audit procedures have been included in the audit programmes of the regularity auditors.

Part A - EDUCATION

FINDINGS, RECOMMENDATIONS AND COMMENTS FROM THE DEPARTMENT OF BASIC EDUCATION

1. Demand management

1.1 Findings:

- 1.1.1 The success of an infrastructure project depends, to a large extent, on the quality of the needs assessment and planning of a project. A comprehensive needs analysis database for schools, based on the most current and reliable statistics and demographic trends, was not updated and used when determining the needs of schools. This has led to an oversupply of primary school classrooms and an undersupply of secondary school classrooms in the Gauteng province. Although 24 842 primary school classrooms were required in the province, there was 27 151 classrooms available, therefore an oversupply of 2 308 primary school classrooms. The required number of secondary school classrooms were 16 417 but there was only 14 388 classrooms available which was 2 029 less than required.

*Shortage of
2 029 secondary
school classrooms.*

The official recommended maximum educator to learner ratio is 1:35 for secondary schools and 1:40 for primary schools. An analysis of the number of classrooms built at eight schools in the North West province revealed that the number of learners enrolled exceeds the classroom capacity in 63% of the schools and the actual number of learners per classroom varied between 130% and 153% of the classroom's capacity. In the remaining 37% of the schools, the actual number of learners per classroom varied between 32% and 73% therefore these classrooms were not used optimally.

*Classroom occupancy
varied between 32%
and 153%.*

- 1.1.2 The provincial departments of Education did not have a formal prioritisation model with set priorities to aid in the identification and selection of critical projects. Critical projects, such as platooning schools, were not addressed as a priority. Platooning is the term used when two schools share the school buildings and grounds, with learners of one

Two schools share school buildings and grounds (platooning). Learners of one school attend school in the morning and the other in the afternoon.

school attending classes in the morning and the other in the afternoon. Although the Free State department of Education indicated that these conditions were not conducive to quality learning, building schools to eliminate platooning was not prioritised. In 1994, the province had 71 platooning schools. In 2004, more than 10 years later, 49% of these schools were still platooning. During 2008, tenders were invited to eradicate the last 15 platooning schools. The Department indicated on 19 July 2011 that the last school was completed in January 2011.

1.1.3 The communication and coordination between the provincial departments of Education; provincial departments of Public Works; schools principles and school governing bodies; and local authorities or communities were ineffective to ensure comprehensive infrastructure delivery as all the role-players were not properly engaged during the planning of the projects. This contributed to the needs for infrastructure projects not being properly identified and addressed before their commencement. The following serve as examples:

a) The provincial Department of Education did not liaise effectively with the Mbombela Municipality in Mpumalanga when they planned the construction of the Cyril Clarke Secondary School as part of the 2005-06 business plan. Five months after beginning construction of the school on 19 January 2006, 89% of the contract value had already been paid to the contractor. The project was suspended as the school was situated on the Mbombela soccer stadium site and had to be demolished to make way for the new stadium. The budget increased from R508 953 to R8,5 million for the subsequent temporary structures that were built for the school's operation. However, these structures also have to be demolished as they were constructed on a railway site.

School under construction was demolished as it was situated on the Mbombela soccer stadium site.

Picture 1:
Cyril Clarke Secondary School was relocated after the start of the construction to make way for the Mbombela soccer stadium. The structure of the soccer stadium can be seen behind the school's temporary structures.



The new school buildings were subsequently constructed at the newly identified site and the official handover took place on 14 May 2011, six years after the start of construction of the school.

- b) The provincial Department of Education did not always ensure that the ownership of sites identified for schools were confirmed with the relevant authorities before incurring costs. Since the 2005-06 financial year, seven schools in the North West province were identified as being forced to relocate to new sites. This resulted in delays in the provision of schools and additional costs of R5,2 million, including costs of the foundations and rehabilitation of sites.
- c) The lack of a liaison structure between the provincial Department of Education and local authorities in Gauteng led to 31% of the fast-track schools being located on dolomitic sites as local authorities reserved the best sites for residential purposes. Fast-track schools are schools that were identified as a high priority in the province and had to be completed within one year. Some schools were built using prefabricated building materials. At the Freedom Park Secondary School, the project was halted due to poor site conditions. An environmental impact assessment was commissioned to ascertain the possibility of continuing with the project after approximately R4 million had already been spent on the project. In addition, two projects were put on hold in the province due to squatting on the sites identified for

Seven schools were relocated to new sites after R5,2 million had been spent.

31% of fast-track schools were built on dolomitic sites.

schools. Initial costs for professional fees had already been incurred at the time when the projects were put on hold. The cost for these projects as at March 2009 was R2,8 million.

- d) The Free State provincial department of Public Works did not ensure that the municipal sewerage line at the Brentpark School Hostel was adequate for the load of sewerage to be pumped before approving the plans and the installation of the sewerage pump. A sewerage pump was installed, as per the original design for R167 500 but could not be used, as the municipal sewerage line did not have the required capacity.

A sewerage pump installed for R167 500 could not be used.

Picture 2:
Although the sewerage pump on the right hand side of the picture was installed according to specifications, it could not be used as the municipality's receiving pipeline was not adequate.



- 1.1.4 Planned infrastructure projects can only be implemented when funding is available. In the Free State, North West and Western Cape provinces, projects had to be withdrawn after the design phase, or were delayed, due to budgetary constraints. In the North West province, 11 schools planned for the 2007-08 financial year had to be withdrawn after the design phase, since the budget for the infrastructure was reduced from R443 million in the 2006-07 financial year to R236,8 million in the 2007-08 financial year, a reduction of approximately 47%. Professional fees of R3,7 million had already been incurred when these projects were terminated. Due to an escalation in material and labour costs, the provincial Department of Education will be compelled to pay more when they decide to continue with these projects. For example, the original estimate for Signall Hill Secondary School in the North West province was R7 million when it was

Eleven projects on which professional fees of R3,7 million were already incurred, were withdrawn after the planning phase.

cancelled during the 2006-07 financial year and when it was reinstated in October 2008, the revised contract value was R9,2 million, an increase of approximately 31% of the original contract value.

1.1.5 The Eastern Cape, Gauteng, Limpopo and Mpumalanga provincial departments of Education had a lack of capacity and technically skilled staff to ensure that the budgets for the infrastructure projects were realistic. The following serve as examples:

a) In Limpopo, three contracts were awarded at contract values that exceeded the approved budgets by up to 53% and no evidence could be submitted that additional funding had been approved to cover these costs. Detailed feasibility studies completed by the department closer to the actual implementation stages of the projects, revealed several shortcomings within the budgeted figures. Variation orders were issued to address the omissions.

Contracts awarded exceeded the budgets by up to 53%.

b) The tender estimate for the construction of the Special Youth Care Centre in the Eastern Cape was not properly prepared and/or calculated by the quantity surveyor. The estimate of R173,8 million was 33% below the contract amount of R230,9 million. According to an analysis of the difference between the contract amount and pre-tender estimate in the tender report compiled by the implementing agent, the reasons for the increase in costs include the conservative estimate pricing, future cost increases were not considered and locality costs, such as the provision of accommodation for supervision personnel and transport of materials and equipment, were not taken into account.

The contract value exceeded the estimate by R57,1 million.

c) In Mpumalanga, the budgets for infrastructure projects compiled by the provincial Department of Education were not realistic. Proper consultation with the provincial Department of Public Works also did not take place in the budgeting process. The initial estimates by the Department of Education increased by up to 864% with the contract values for fourteen of the projects audited after the provincial Department of Public Works had performed their own budget estimates and appointed consultants to recalculate the budgets. Table

Budgets increased by up to 864% as the initial estimates were not realistic.

1 lists four of the projects as example:

Table 1

School	Department of Education estimates R	Contract amount R	% increase
Khutsong Primary School	490 400	683 221	39
Khobongwane Primary School	670 000	1 340 649	100
Holmdene Secondary School	120 000	485 529	305
Cyril Clark Secondary School	52 800	508 953	864

Design costs were duplicated as standardised plans were not used.

- 1.1.6 Standardised design plans for schools were not used in the Free State and North West provinces during planning although standard norms for the classrooms exist. As a result, schools were individually designed and design costs were duplicated.

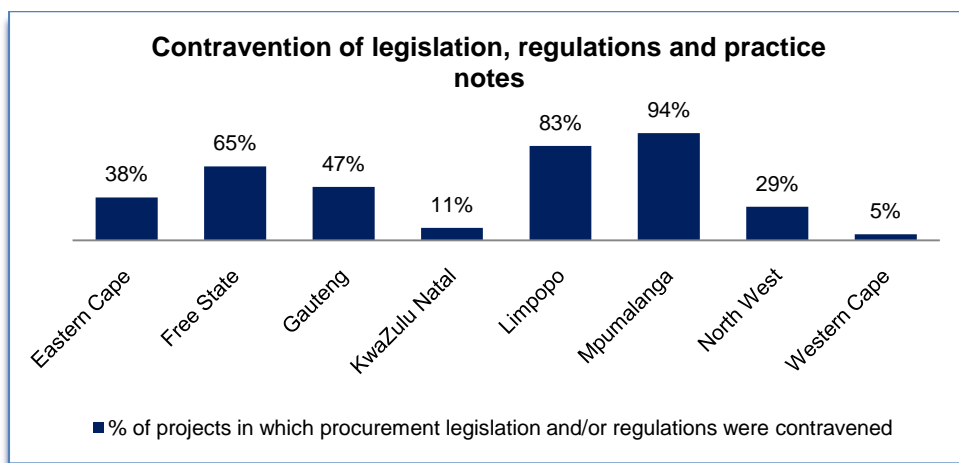
2. Acquisition management

2.1 Findings:

- 2.1.1 The appointment of contractors and consultants involved in infrastructure projects were delayed, as in some instances, the bid evaluation process took longer to complete than the validity period of the bids. The process was not always cost-effective as the Bid Evaluation Committees and the Bid Adjudication Committees did not properly consider the prescribed procurement legislation and regulations in evaluating, scoring and making recommendations to the accounting officer regarding awarding bids. This contributed to contracts being awarded to contractors that did not have the skills and capacity to execute these projects. Procurement legislation, regulations and practice notes were contravened in approximately 47% of the projects audited (refer to graph 1 below). Where possible irregular, fruitless and wasteful expenditure was identified, the accounting officer was requested to investigate the matter and institute the actions as required by the Public Finance Management Act.

Procurement legislation and/or regulations were contravened in approximately 47% of the projects selected for auditing.

Graph 1



2.1.2 In the Gauteng, Limpopo and Mpumalanga provinces, the Bid Evaluation Committees disqualified bids based on the bidding prices of prospective suppliers being too low or too high compared to a predetermined estimate. In Limpopo province, this practice was followed throughout as a standard working method. These bids were excluded from the evaluation process, despite the specific prohibition of this practice in a supply chain management practice note issued by National Treasury. The following serve as examples:

Bids were disqualified based on the bidding prices being too high or too low despite the specific prohibition of the practice.

- a) In Gauteng, seven projects were identified where bids were disqualified based on the bidding prices of prospective bidders being more than 5% or 10% below the predetermined benchmark. Of the bids received from prospective bidders, 84% were disqualified in terms of the price criteria and those bids were not subjected to further evaluation.
- b) In Limpopo, 13 projects were identified where the bids were disqualified based on prospective bidders' prices being too low. However, although the contracts were awarded to contractors with bid prices that fell within the predetermined threshold, five of these projects were completed after the planned completion dates and two projects were terminated due to non adherence to the clauses in the building agreements.

- c) Of the 39 bids received from prospective bidders for work at the Cyril Clark Secondary School in Mpumalanga, 28 bids were disqualified, as the bid prices were either too high or too low. One of these bidders was disqualified despite the bid being only R514 below the pre-tender estimate of R501 535.

2.1.3 The Construction Industry Development Board was established to promote and develop a framework for the construction industry to regulate the actions, practices and procedures of parties engaged in construction contracts. The Construction Industry Development Board grades contractors according to certain criteria and the grading is indicative of the contractor's ability to complete a certain volume of construction work. In the public sector, it is a contravention of the Construction Industry Development Board Act to appoint a contractor that is not registered, or is not registered at the correct grading. The Bid Evaluation Committees did not consult the Construction Industry Development Board register to confirm the registration and grading of the bidders during the evaluation process. Contracts to the value of approximately R669,5 million were awarded to contractors for the construction and/or renovation of schools while the contractors were either not registered with the Construction Industry Development Board or were registered, but held a grading lower than required. Table 2 refers:

Contracts to the value of R669,5 million were awarded to contractors not registered at the Construction Industry Development Board or held a grading lower than required.

Table 2

Province	Contract value R	Number of projects in which the successful bidders were not registered	Number of projects where the successful bidders were registered at a lower grading than required	Number of projects in which the contracts were terminated because of a lack of progress or quality considerations
Eastern Cape	8 586 301	3	-	-
Free State	88 300 000	4	5	3
Gauteng	454 732 753	3	*7	*-
KwaZulu-Natal	11 852 636	1	1	1
Limpopo	50 681 000	-	4	-
Mpumalanga	11 388 567	14	-	-
North West	31 674 514	4	1	1

Province	Contract value R	Number of projects in which the successful bidders were not registered	Number of projects where the successful bidders were registered at a lower grading than required	Number of projects in which the contracts were terminated because of a lack of progress or quality considerations
Western Cape	12 291 215	-	1	-

* Projects were awarded to joint ventures that had members who were not registered with the Construction Industry Development Board. It could not be determined whether these contracts were terminated.

Although only some of these contracts were terminated, in all instances insufficient progress and/or substandard workmanship were identified during the construction phase.

2.1.4 The procurement legislation and regulations prescribe a process to be followed during the appointment of contractors to ensure that the process is fair, equitable, transparent, competitive and cost effective. In the Eastern Cape and Limpopo provinces, tenders for the appointment of contractors were either not advertised in at least the Government Tender Bulletin or not advertised for a minimum of 21 days to promote a competitive bidding process. As a result, a small number of prospective suppliers submitted bids. The following serve as examples:

a) In Limpopo, the period of advertising for bids was not consistent, ranging between seven days and 52 days for the schools selected for auditing. A contract to the value of R3,1 million was awarded to a contractor although the tender was only advertised for seven days. The original project period was set at three months; however, the project was completed 13 months after the planned completion date.

A tender to the value of R3,1million was only advertised for seven days.

b) A tender for the Special Youth Care Centre in the Eastern Cape, with a budget of R118 million, was advertised in two local newspapers but not in the Tender Bulletin. Only two prospective suppliers submitted bids, of which one complied with the criteria and minimum requirements to be considered during the bid evaluation process.

A tender with a budget of R118 million was not advertised in the Tender Bulletin.

2.1.5 During the bid evaluation process, bids are scored to indicate the most appropriate contractor to execute the project. In the Free State, Limpopo and Western Cape provinces, contracts were awarded to contractors other than those that scored the highest number of points during the evaluation of bids. In some instances, the Bid Evaluation Committee calculated the points for certain criteria incorrectly during evaluations. The following serve as examples:

a) In the Free State, four contracts to the value of R63,7 million were awarded to contractors that had not scored the highest number of points during the evaluation process. The reasons for such decisions were not documented. These four contracts were awarded at contract values that were R1,6 million higher than the bid prices of the contractors that scored the highest number of points during the evaluation process. The contracts with two of the four contractors were terminated due to insufficient progress and, in the other two instances, the projects were delayed or unsatisfactory workmanship was identified. As an example, for work at the Khotso Ixolo Secondary School, the Head of the Department appointed a contractor other than the one recommended by the Bid Adjudication Committee. The successful contractor already had a contract for the same project, previously terminated due to a lack of performance, did not attend the compulsory site meeting and was not registered at the Construction Industry Development Board.

Four contracts to the value of R63,7 million were not awarded to the highest scoring bidders.

b) In Limpopo, the bid evaluation committee calculated the points for certain criteria incorrectly during the evaluations of two tenders, resulting in contracts being awarded to bidders that did not score the highest number of points. The audit team recalculated the points of the 35 recommendable bids for a tender, and determined that the scores for 89% of these bids were incorrectly calculated.

The scores for 86% of the bidders for two tenders were incorrectly calculated.

The financial viability, resource, capacity, ability and experience were not sufficiently considered during the appointment process.

2.1.6 Bid Evaluation Committees did not sufficiently consider and verify the financial viability, available resources, capacity, ability and experience of the contractors during the appointment process. Furthermore, the Construction Industry Development Board grading was also not always

used as an indicator of their ability to complete multiple contracts simultaneously. As a result:

Multiple contracts to the value of R594 million awarded to contractors, most of which were subsequently terminated.

- a) Multiple contracts to the value of R594 million were awarded to contractors in six provinces. Contracts with most of these contractors were subsequently terminated due to insufficient progress and/or unsatisfactory workmanship. Table 3 refers:

Table 3

Province	Number of contractors	Total number of concurrent projects awarded to the contractors	Value of projects R
Eastern Cape	3	8	16 085 248
Gauteng	1	4	186 043 622
KwaZulu-Natal	1	2	13 887 560
Limpopo	8	42	227 614 919
North West	2	5	24 904 599
Western Cape	4	11	125 303 801

- b) Unsatisfactory quality of work and slow progress were identified at the Izwilesizwe School in Pietermaritzburg and the PMTCT Clinic project in Newcastle in the KwaZulu-Natal province which were contracted to the same contractor. Since the contractor could not complete these projects, replacement contractors were appointed. The project at the Izwilesizwe School was completed in February 2010, four years after its commencement in February 2006. As the school was not completed in time, the learners were housed in a tent and a wood-and-iron structure, which was unsafe due to broken windowpanes and doors. According to the principal, approximately 80, grade seven learners were housed in a classroom.

A school was completed four years after the planned completion date as the contractor was awarded multiple contracts, but was unable to perform.

Picture 3:
As the construction of the Izwilesizwe School was not completed in time, approximately 80, grade seven learners were accommodated in one classroom as indicated in the picture.



- c) In the Eastern Cape and Free State provinces, the financial capability of the contractors to undertake projects was not sufficiently verified during the bid evaluation process. In the Eastern Cape, two contractors appointed with a combined contract value of R3,5 million did not have the funds available to pay their workers and sub-contractors or to provide surety in time. Work came to a standstill at one project as some workers left the site and/or went on strike due to the non-payment of wages. At the second project, the contract with the contractor was terminated due to insufficient progress, which contributed to the delays experienced during the completion of the projects.

Contractors did not have the financial capacity to pay their workers and the sub-contractors.

- 2.1.7 The capacity of consultants to execute numerous projects simultaneously was not considered in the Free State, KwaZulu-Natal and North West provinces before awarding the projects to them. In these provinces, managing consultants were appointed without following the procurement prescripts and multiple contracts were awarded without considering their capacity to successfully manage the volume of work allocated to them. The following serve as examples:

The procurement prescripts were not followed in the appointment of managing consultants.

- a) In the Free State, the management of 21 contracts to the value of R37 million were awarded to five consultants. Contracts with three of these consultants were subsequently terminated due to non-performance while in the case of the other two consultants, insufficient progress and/or unsatisfactory workmanship were identified. The

Contracts with three consultants terminated due to non-performance.

provincial Department of Public Works did not rotate the consultants on the approved suppliers list, resulting in some of the consultants being allocated a number of projects and others none. In addition, in the North West province 30 projects were managed by only nine managing consultants.

- 2.1.8 Surety can be used to cover losses incurred later in the project due to defaulting on the part of the contractor. Before a contractor begins the execution of the contract, it must provide the department with a performance surety of the amount specified in the special conditions of the contract. Providing surety on time is a suspensive condition and the department can terminate the contract without penalty if the contractor fails to provide surety in time. In the Free State and North West provinces, contracts were awarded to contractors that were unable to provide the prescribed sureties. Sureties were therefore either waived or reduced sureties were accepted by the provincial Department of Public Works.

Sureties to cover losses due to the defaulting of contractors were waived or reduced.

- a) In the Free State, six contractors who were awarded contracts to the value of R41 million were unable to provide the prescribed sureties. The sureties were either waived or reduced sureties were accepted by the provincial Department of Public Works. The contracts with five of these contractors were terminated due to insufficient progress and/or unsatisfactory workmanship. During the construction of Moso Primary School, the contractor was unable to provide the full surety, which was then reduced from 10% to 5% of the contract value. The contract was subsequently terminated due to poor performance. The project manager indicated that progress was only 3%, while 100% of the project time had already elapsed.

Contract cancelled after 100% of the time lapsed but only 3% progress was made.

- 2.1.9 To ensure the timely completion of schools, contractors should be appointed in time not to delay the start of the project. Delays in the evaluation and/or adjudication processes were identified in the Gauteng, Limpopo, Mpumalanga and Western Cape provinces. In Limpopo, three projects were identified where the average time lapse between closing the tender and the approval for awarding the contracts was approximately four months. Furthermore, for seven projects in Gauteng, the 90-day validity

Completion of schools delayed due to delays in the bid evaluation and/or adjudication processes.

period of the bids expired by an average of 62 days before the contracts were awarded to the successful bidders, which resulted in cost increases due to the tender prices being outdated.

- 2.1.10 There was a lack of consistency on professional fees between projects implemented by the North West provincial Department of Public Works and those implemented by the provincial Department of Education. For projects implemented by the provincial Department of Public Works, professional fees were budgeted for at a rate of 18% of the contract value, compared to the 8.5% for those projects implemented by the provincial Department of Education.

Professional fees varied between 8.5% and 18% of the contract value.

3. Project management

3.1 Findings:

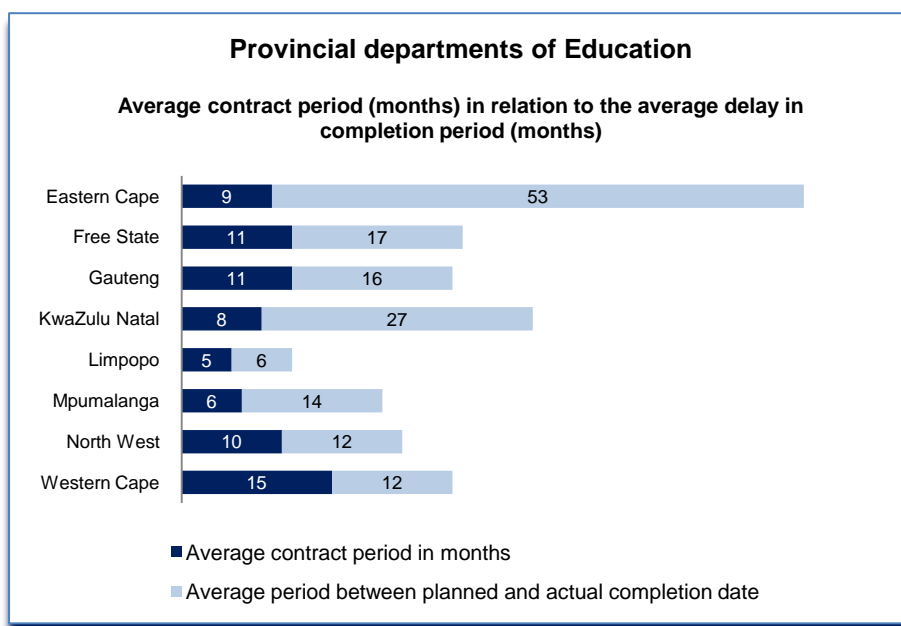
- 3.1.1 When the provincial departments of Education do not act as implementing agents, project management is the responsibility of the provincial departments of Public Works or the service agent that the provincial departments of Education appoint in this role. The departments of Education nevertheless have to play an oversight role to ensure that the implementing agent is fulfilling its role as agreed and that the end product will serve their needs. To ensure effective service delivery, infrastructure needs to be completed on the planned target date. The following serve as examples of projects that were delayed:

Service delivery hampered as schools are not completed in time.

- a) The projects selected for auditing were, for the most part, either completed late or still being constructed although the contractual completion dates had passed. Where possible, the planned completion dates were compared to the actual completion dates of the projects or the progress at the time when the projects were audited; the average delays in months in relation to the average contract period per province are illustrated in graph 2 below:

The completion of schools was delayed on average by 20 months.

Graph 2

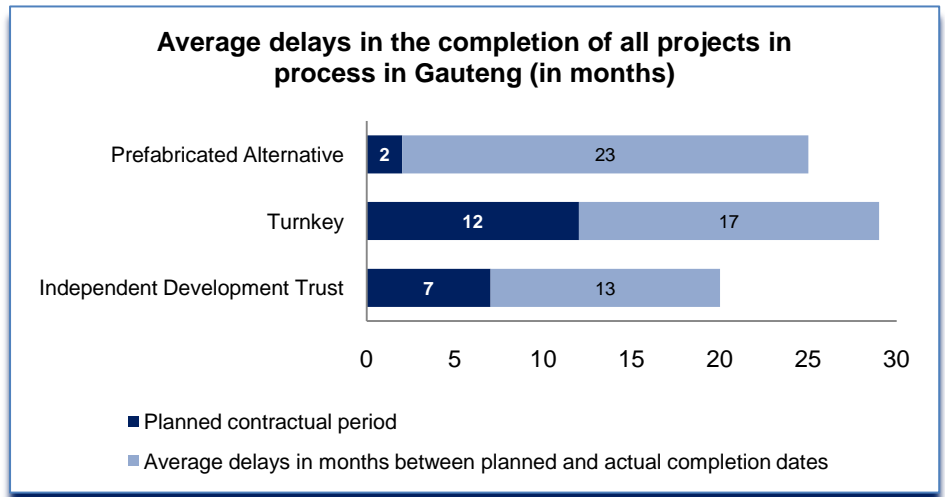


- b) An analysis on 51 projects in the Gauteng province revealed that the province utilised different options for school building:
- Schools where the Independent Development Trust acted as implementing agent;
 - Alternative schools that were built using prefabricated building materials as a means to build schools efficiently and more cost-effectively in a short period; and
 - Turnkey schools where one service provider assumes total responsibility for all aspects of the project and delivers the full end product required by the contract.

Irrespective of the option utilised, delays occurred in the provisioning of these schools and impacted negatively on the education function. With reference to the 51 projects under construction, based on the number of classrooms and classroom to learner ratio of 1:40 for primary schools and 1:35 for secondary schools, an estimated 50 000 pupils had to be accommodated for 101 days or more in already overcrowded schools, as a result of these delays. Graph 3 refers:

Learners were accommodated in overcrowded schools.

Graph 3



Completion of classrooms delayed for three years due to a legal dispute between role-players over the responsibility for repair costs.

- c) Delays were experienced after the construction of, *inter alia*, nine classrooms at the Dalindyebo Senior Primary School in the Eastern Cape came to a halt in December 2004. The partly built roof of the school was destroyed in a windstorm. Between 2005 and 2008, a legal dispute arose between the role-players over the responsibility for the costs of repair to the work. In August 2008, more than three years later, the legal actions had reached an impasse and a decision on the future of the project was still uncertain.

Picture 4:
At the Dalindyebo Senior Primary School, learners are taught in two classrooms as indicated in the picture below. Construction of additional classrooms came to a halt during December 2004 and up to July 2011 no further progress has been made.



School still not completed after six years.

On 22 June 2011, more than six years after the original planned completion date, the architects indicated that the completion and/or reconstruction of the school building was not done. The slow progress or lack of progress on site adversely affected the teaching of learners.

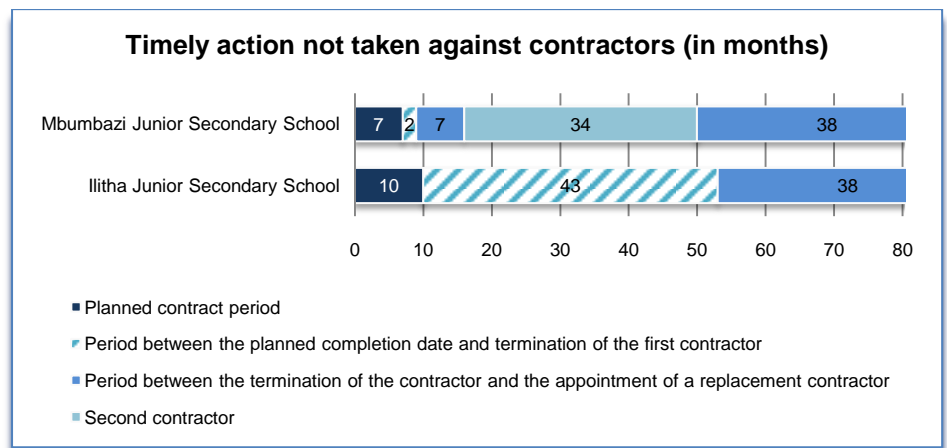
The educators continued to teach the learners in the two original structures. However, these structures were not sufficient to accommodate all the learners enrolled at the school.

3.1.2 Although contractors in the Eastern Cape, Free State, KwaZulu-Natal, Mpumalanga and North West provinces did not make adequate progress during their contractual term, their contracts were not cancelled in a timely manner and/or delays in appointing replacement contractors occurred. In some instances, notice letters were issued but not enforced or the terms of the service level agreements to ensure the timely completion of the projects were not adhered to. When contractors were replaced, additional costs were incurred and the combined cost of the original and the replacement contractors exceeded the original contract price in some instances. The following serve as examples:

a) In the Eastern Cape, two projects were identified where the implementing agent did not take timely action to cancel contracts on which contractors did not show the required progress and/or where the quality of work did not meet the standards. Furthermore, replacement contractors were either appointed up to seven months after the termination of the original contractors or 38 months had passed since the termination, without appointing a replacement contractor. Graph 4 refers:

Replacement contractor not appointed 38 months after the termination of the original contractor.

Graph 4



Note: These delays were calculated in months based on the status of the projects as at 22 June 2011.

At Mbumbazi Junior Secondary School, the contract with the original contractor was terminated on 9 November 2004, two months after the planned completion date and with only 56% of the work being completed. On 3 June 2005, seven months after the termination of the original contract, a replacement contractor was appointed with a planned completion date of 13 November 2005. On 7 April 2008, more than two years after the planned completion date of the replacement contractor, the second termination process was approved. In June 2011, more than six years after the original planned completion date, the project still had not reached completion. The increase in costs of material and labour had a negative financial impact on the contract. Although the available balance for completion was R700 132, the estimated cost for completion was R1 374 364, creating a shortfall of 61% in excess of the original contract amount.

The original contract value increased by 61% as contracts with two contractors were terminated and a second replacement contractor appointed.

- b) A contract to the value of R2,1 million was awarded for work at the Brentpark School hostel in the Free State, with a planned completion date of 8 December 2007. On 20 June 2008, more than six months after the planned completion date, the contract was terminated due to a lack of progress and poor quality of work. At the date of termination, R926 136 (43%) of the contract value had been paid to the contractor although the progress made was only 29%. A replacement contractor was appointed on 21 October 2008, more than four months after the termination of the original contractor, with a contract value of R2,2 million. The project was only completed in March 2009, 16 months after the planned completion date.

Contract terminated more than six months after the planned completion date.

- 3.1.3 Where the provincial departments of Education do not act as the implementing agent, the department still has the responsibility to visit projects from time to time to ensure that progress and the quality of work are in accordance with specifications as these departments remain accountable for the expenditure of the funds on their budgets. The implementing agent carries the primary responsibility for the oversight of all construction work. In 58% of the projects audited in the Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga, North West and Western Cape, poor quality of construction work was identified.

Poor quality of work identified in 58% of the projects.

However, this was not identified during the site inspections by the implementing agents, or site inspections were not conducted. In some cases, unsatisfactory work was identified but left unaddressed due to inadequate supervision and monitoring by the implementing agents. In addition, the provincial departments of Education did not have the capacity to monitor the work of the implementing agents. Several defects in the constructions were noted during the site visits by the audit teams. The following serve as examples:

a) In the North West, an investigation on the state of schools built since 2004 carried out by the provincial Department of Education revealed that of the 33 schools assessed, 91% had defects that had not been attended to by the contractors. In some cases, the affected schools were reported to have incurred expenses from their own school funds to do the necessary repairs as final payments had been made to the contractors, despite them not having corrected the outstanding defects. The provincial Department of Education did not have sufficient capacity to ensure adherence to quality standards by contractors.

Schools incurred expenses from school funds to correct defects left unaddressed by the contractors.

b) In Mpumalanga, the Khunjuliwe Secondary School building was falling apart as the contractors had used substandard materials. Due to a lack of supervision and monitoring during the construction process, the provincial Department of Education only intervened in 2007, approximately two years after the planned completion date of November 2005, to temporarily address the problems. At that stage, 97% of the contract value had already been paid to the contractor.

School not suitable for occupation as it was constructed using substandard materials.

In August 2007, a technical report issued by a civil engineer at the provincial Department of Public Works to the school governing board, indicated that the school was not suitable for occupation. The tender for a replacement contractor to complete the project was advertised in the Mpumalanga provincial supply chain management bid bulletin with a closing date of 31 March 2010, 31 months after the technical report indicating that the school was unsuitable for occupation.

Picture 5:
The Khunjuliwe Secondary School was constructed using substandard materials and in August 2007 it was indicated that the school was not suitable for occupation. The tender for a replacement contractor was only advertised during 2010.



The department indicated on 22 June 2011 that a new school is under construction on a new site and is approximately 62% complete.

- c) Platooning schools were introduced to limit the effect that the incomplete school had on the learners. Senior learners attended school from 07:15 until 11:30 and junior learners attended school from 12:00 until 14:20. The limited time available for learning impacted negatively on the quality of education received by the learners. Mobile classrooms were built at Nyandeni Primary School to address the problems of accommodation. These mobile classrooms were not suitable for effective learning as they were built using corrugated iron sheets, which made them hot, bearing in mind that classes were very congested.

Limited time available for teaching due to platooning.

- d) Poor quality of work was identified at the Malekgobo Primary School in the Limpopo province during a site visit in December 2008. Unsatisfactory work was identified but left unaddressed. The toilets



Picture 6

several of the pit toilets did not have doors; the doors had been blown

away by the wind and not replaced.

- d) Due to inadequate supervision and monitoring by the relevant role-players during construction at the Rietvallei Secondary School in Gauteng, the poor quality of construction work was not identified in time to ensure that the school can be optimally used from the planned completion date. A portion of the school had not been used by the learners and had been cordoned off as a result of structural defects not corrected in time by the contractor.

Picture 7:

Due to poor quality of construction at the Rietvallei Secondary School, a portion of the school had been cordoned off. As at February 2011, three years after the practical completion date remedial work is still in progress. As a result learners are accommodated in prefabricated classrooms.



February 2011

- 3.1.4 Contractors experienced cash flow problems that affected progress on projects negatively, as they were unable to pay their suppliers and workforce. Late payments, which contributed to the cash flow problems, were made to the contractors by the implementing agents in the Eastern Cape, Free State, Limpopo, Mpumalanga and North West provinces. The contractors were therefore financially unable to complete the projects. The following serve as an example:

Payments to contractors not done in time.

- a) In the North West province, 35% of the contractors from the projects

audited had lodged complaints during the site meetings regarding late payments. This resulted in the contractors experiencing cash flow and labour problems, which had a negative effect on the timely completion of the projects. In some instances, the affected contractors had to reduce their workforce. At the Keotshepile Primary School, the cash flow problems of the contractor led to the non-payment of workers, which caused local labourers to lose interest in working for the contractor. Four claims were reported to have been outstanding for more than 91 days. A price increase of R296 458 was included on payment documentation; the increase was mostly due to late payments.

- 3.1.5 To ensure the timely completion of projects, the provincial Department of Education or the implementing agent can deduct a penalty, a set amount or percentage of the contract price, or a percentage of the outstanding work, from the contract price for each day of the delay until actual delivery. Instances were identified in the Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga and North West provinces where penalties for slow progress, delays and late completion of projects were not enforced by the implementing agents. The following serve as examples:

No evidence that penalties for slow progress of R5,6 million for 10 projects were enforced.

- a) In KwaZulu-Natal, 10 projects were not completed by the planned completion dates. However, although the contractors were liable for penalties in terms of the contract, no evidence could be provided that the penalties of R5,6 million were enforced or that the penalties were appropriately waived on justifiable grounds and approved by an authorised official.

Full penalty was not deducted from contract amount.

- b) In the Eastern Cape, penalties for slow progress, delays and the late completion of projects were not completely enforced, as less than the required penalties were deducted from the contract amounts. For one project, only R79 943, 87% less than the penalty value calculated at R597 218, was deducted from the contract value.

4. Commissioning and utilisation

4.1 Findings:

4.1.1 Coordination and liaison between the officials at the provincial departments of Education and Public Works or the implementing agents was insufficient to ensure that schools or sections of schools were used optimally at the time of commissioning. In the Eastern Cape, Free State, Gauteng, KwaZulu-Natal, North West and Western Cape provinces insufficient synchronisation between the times of commissioning, the appointment of staff and the availability of certain equipment and furniture to support effective teaching and learning processes led to the schools not being used optimally. The following serve as examples:

a) In Gauteng, the provincial Department of Education's failure to synchronise the procurement of library and computer related resources with infrastructure delivery timetables resulted in, as at 31 March 2009, computer rooms and libraries of ten schools not being used.

Computer rooms and libraries of ten schools not used.

b) During a visit in July 2008 at the Ekuthuleni Primary School in the Western Cape, the audit team determined that the library had not been used since the school was commissioned on 26 January 2006. According to the principal, the resources for the library had been ordered two months prior to the initial completion of the school in November 2005, but had not been delivered. A visit to the school on 31 January 2011 (five years after commissioning) revealed that the library was still not fully utilised. Books in the

Five years after commissioning the library was still not fully used.

Picture 8



24 July 2008



31 January 2011

library were donated by a charity organisation, but the books ordered from the department had not been provided as yet.

- b) In the Free State, the computer rooms at the Atang Primary School were not used, as equipment was unavailable at the date of commissioning. The provincial Department of Education did not report on the project's progress to the district office in time for them to budget for and procure the required equipment.

Equipment not available at date of commissioning.

- 4.1.2 In the Eastern Cape, Free State and Western Cape provinces, projects were completed but the facilities were unused as the furniture was not issued, the facilities exceeded the needs of the learners or did not address the needs of the schools. The following serve as examples:

Needs of schools not addressed.

- a) In the Free State province, the Lourier Park Primary School, with a project cost of R15,4 million, was commissioned during April 2006. The school provides space for the schooling of 960 learners. However, with only 57% occupancy in 2009, the school was not used optimally; 11 of the classrooms were not used. Furthermore, the provincial Department of Public Works and the municipality had advised the provincial Department of Education not to build the school on the site as it had been used as a dumping site and the soil was unsuitable according to the geotechnical assessment. According to the principal, another factor that affected utilisation was the lack of an available departmental transport system to and from the school for the learners.

Eleven classrooms not used.

- b) The site visit to the Dr Mngoma Primary School in the Free State in March 2009 revealed that the computer room with 26 computers was not being used. The activity room and storerooms were also not used as it exceeded the need of the current learners.

Computer room with 26 computers not used.

- 4.1.3 There was insufficient coordination between the Eastern Cape departments of Education, Justice and Constitutional Development, Social Development and Correctional Services to give effect to a court order issued in 2003 to establish a reform school in the province. The newly constructed Special Youth Care Centre had been completed in June 2009, but has only been used since January 2011. The estimated cost of the

Facility with an estimated cost of R231 million not operational as funds were not budgeted for the daily running thereof.

unused reform school was R231 million. The facility was not operational as no action plans were in place for both the staffing needs and the procurement of furniture and equipment. Furthermore, funds were not budgeted for the daily running of the facility.

- 4.1.4 A required level of quality retention monies should be deducted from progress payments to the contractors to ensure that the contracts were completed. The retention money should be used to correct shortcomings not corrected by the contractor. The shortcomings are communicated to the contractor on a snag list. Retention monies should be deducted from progress payments to contractors and should remain in place as a security against any defaulters or poor workmanship. The retention monies should be released at the expiry of the retention period.

In the Limpopo province, snag lists indicating the defects to be corrected by the contractor before the final handover of the project could not be submitted for auditing in 35% of the projects that were selected for auditing. For example, although poor quality work was identified such as poor quality door and window handles and cracks in the classroom floors at the Malekgobo Primary School, a snag list could not be submitted for auditing. Nevertheless, the final completion certificate was authorised by the representatives of the provincial departments of Education and Public Works, the contractor and project manager.

Completion certificates signed off without addressing outstanding defects.

5. Recommendations:

- 5.1 The national Department of Education should implement the specific policy that deals comprehensively with the infrastructure delivery process. The following should *inter alia* be addressed:
- a) Roles and responsibilities of the national department, provincial departments and implementing agents should be defined;
 - b) The process and information to be used to facilitate the need determination. This should indicate for example, how to interpret and validate statistical information and demographic trends;
 - c) A formal prioritisation model with set priorities to facilitate the ranking of needs to ensure that the most urgent needs are addressed first;

- d) Stakeholder interaction and consultation such as community organisations, governing bodies and local authorities;
- e) The independent approval of deviations from prescribed procurement process should be clarified;
- f) Guidance on the evaluation of contract proposals especially with regard to the evaluation of the capacity of contractors to execute multiple contracts;
- g) Communication between departments and provinces of contracts awarded, and contractors and consultants not performing according to expectations; and
- h) Coordination between the different role players to ensure that projects can be commissioned and utilised at first handover.

5.2 National norms and standards for infrastructure should be compiled and adherence to it should be promoted.

5.3 The norms and standards should be incorporated into standard and uniform designs to reduce professional fees.

5.4 The department should issue guidelines for the implementation of the above policy.

5.5 The department should finalise and promote adherence to the national minimum norms and standards for school infrastructure.

5.6 In the light of the shortage of schools, the department should consider extending its staff establishment to become more actively involved in the infrastructure delivery process on a provincial level.

6. Comments from the Department of Basic Education:

6.1 As indicated in the report, the majority of the findings do not relate directly to the Department of Basic Education. However, the Department of Basic Education has or is in the process of developing measures to deal with some of the findings.

- 6.2 The Department of Basic Education identified challenges earlier with regard to the provision of school infrastructure. To this effect, the Department of Basic Education developed the “*National Policy for an equitable provision of an enabling school, physical teaching and learning environment*”. The policy was published on 11 June 2010. The process of developing this policy has been consultative and collaborative. In its development the Department of Basic Education worked very closely with South Africa’s experts at the national level and in provinces.
- 6.3 In the process of actualising the said policy, the following have been initiated:
- 6.3.1 The Department of Basic Education has developed norms and standards for school infrastructure.
- 6.3.2 Provinces submit infrastructure plans on an annual basis to national Treasury and to the Department of Basic Education.
- 6.3.3 Additional funding has also been received by the Department of Basic Education with effect from the 2011-12 financial year to deploy additional technical assistants both at Department of Basic Education and in provinces. The following approach is being pursued to strengthen capacity:
- a) Leadership alignment and support have been addressed to emphasize commitment, leadership and receptivity towards the application of structured standardized processes to resolve infrastructure problems.
 - b) Improve inter- and intra-governmental cooperation and promote cooperative governance.
 - c) Development of the organizational structures in provincial departments of education to be responsible for infrastructure management.
 - d) Increase the number of professional and technical personnel to increase the supply of skills. Furthermore, enhance skills through the transfer of new ideas, techniques and systems.
- 6.3.4 The Department of Basic Education is in a process of developing a menu of prototype designs, a cost model and a design guide/manual.

6.3.5 In collaboration with the Infrastructure Delivery Improvement Programme, Department of Basic Education has focused on infrastructure procurement and a technical partnership was forged with the Infrastructure Delivery Improvement Programme and the Support Programme for Accelerated Infrastructure Development to strengthen the provincial departments' capacity to engage with this issue. The Support Programme for Accelerated Infrastructure Development is a partnership between the Business Trust and the Presidency and has provided support in the following areas:

- a) Technical support on infrastructure procurement systems and approaches;
- b) Training on procurement, and
- c) Knowledge sharing and lesson learning with regard to infrastructure procurement.

Part B - HEALTH

FINDINGS, RECOMMENDATIONS AND COMMENTS FROM THE DEPARTMENT OF HEALTH

1. Demand management

1.1 Findings:

1.1.1 The success of an infrastructure project depends, to a large extent, on the quality of the needs assessment and planning of a project. In the Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga, North West and Western Cape provinces, scope changes were made subsequent to the start of and during construction as all the needs were not included in the projects' initial planning. The scope changes were effected during the planning phase, or variance orders were used, which resulted in higher project costs. The following serve as examples:

Needs were not included in initial planning which resulted in scope changes and higher project costs.

- a) In the Western Cape, four projects were identified where the total project cost at completion had increased by up to 260% between the first time it appeared on the budget in 2004 and the last time it appeared on the budget in 2008 as available project information was not sufficient at the identification stage of the projects to ensure that realistic values were allocated to projects on the infrastructure budgets.
- b) During 2005, the budgeted cost for the construction of the Zola Hospital Complex in Gauteng increased to R624,4 million (144%) from the initial estimated cost of R255,7 million due to, *inter alia*, changes and additions to the scope of work. This included a complete revision of the scope of work as the project changed from a 250 to a 300-bed district hospital in 2005, which resulted in the preparation of a new project implementation plan. Although the project should have been completed during November 2007, according to Revision 1 of the project implementation plan dated 10 March 2005, the expected completion date was moved to February 2011 and according to recent information obtained it was postponed to December 2011.

244% increase in the estimated cost of a hospital. The expected completion date is four years after the planned date.

Picture 9:
This picture shows the progress with the construction of the Zola Hospital Complex during March 2009, 16 months after the original planned completion date.



Shortage of qualified staff contributed to long delays during the planning of projects.

- 1.1.2 A lack of capacity and qualified staff to ensure that the planning of the infrastructure projects took place on time in the KwaZulu-Natal and Western Cape provinces at the provincial departments of Health and Public Works and other implementing agents, resulted in long delays in completing the planning of projects. The following serve as examples:

Only six programme managers to manage 259 projects.

- a) The construction of clinics and hospitals in KwaZulu-Natal were delayed due to the lack of capacity of officials at the provincial Department of Public Works who acted as the implementing agent for the provincial Department of Health. The department committed itself to manage more projects than they could cope with, resulting in delays of up to five years. A service level agreement was drawn up by the provincial departments of Health and Public Works and the Ithala Development Finance Corporation, transferring various projects to them in an attempt to avoid further delays in finalising the construction of the projects. Eight of the projects with a total value of R198,6 million that were transferred, had already been delayed between one to five years. Furthermore, Ithala Development Finance Corporation also had a lack of capacity, as six programme managers were appointed to manage 29 projects for the provincial Department of Health and 230 projects for the provincial Department of Education.

Vacancy rate of 39% for architects, engineers, quantity

- b) In the Western Cape, insufficient technical and professional capacity at the provincial departments of Health and Transport and Public Works

surveyors and technicians. Design phase takes up to five years to complete.

were identified. The provincial Department of Transport and Public Works experienced a vacancy rate of between 25% and 39%, in the posts of architects, engineers, quantity surveyors and technicians during the period 2004-2008. The insufficient technical and professional capacity at the Department of Health resulted in adequate project briefs not having been compiled in a timely manner. The lack of adequate project briefs and communication problems between the two departments contributed to misunderstandings regarding the scope of projects, the plans developed by the Department of Transport and Public Works not being in line with the requirements of the Department of Health and/or the estimated cost of the designs by the Department of Transport and Public Works being materially higher than the budgeted amount. The above shortcomings contributed to delays of up to 63 months during the design phase of projects.

- 1.1.3 Although the need for facilities in the Free State was identified in the 1990's, tenders for their construction were awarded up to 13 years later. During 1997-98, a needs determination was done for some of the infrastructure projects and consultants were appointed to draw up plans for the projects. However, due to the magnitude of the projects, it was later decided to divide them into phases. No evidence could be submitted that the needs for the various phases were reassessed or that amendments to the original plans were made to ensure that they were still relevant and incorporated new infrastructure technology. Table 4 refers:

Tenders were awarded up to 13 years after the needs were identified.

Table 4

Contract	Year in which the consultant was appointed for the plans	Date tender awarded to contractor	Contract value R	Delay between the appointment of the consultant and award of contract
Elisabeth Ross Hospital	1992	15 November 2005	40 158 259	13 years
Medical depot	1998	19 December 2005	19 424 511	7 years
Boitumelo Hospital				
- Contract 3	1997	23 August 2004	14 998 480	7 years
- Contract 4	1998	15 November 2005	17 394 120	7 years
- Contract 7	1997	14 November 2005	14 219 090	8 years

Contract	Year in which the consultant was appointed for the plans	Date tender awarded to contractor	Contract value R	Delay between the appointment of the consultant and award of contract
- Contract 11	1998	17 May 2007	75 877 377	9 years
- Contract 13	1998	30 August 2007	19 877 450	9 years

The Department of Health could not provide a list of priorities with regard to infrastructure projects at a strategic level. The Service Transformation Plan was drafted in 2005 with the aim of addressing the prioritisation of needs and projects, but during the time of the audit it had still not been approved.

Planning not always linked to the availability of funds to execute projects.

1.1.4 The planning of projects in Kwazulu-Natal, Gauteng and North West did not always coincide with funds and other resources being available to execute the projects. The following serve as examples:

a) In Kwazulu-Natal, the original budgets for 13 projects increased as a result of delays during the planning stage of the projects. One of the major contributing factors was that planning was started knowing that funds will not be available immediately. Therefore, the planning had to be revisited before commencing with the project to ensure compliance with the changes in the relevant legislature, regulations and trends that occurred. For eight of these projects, a variance of R332,4 million arose between the original budget and the actual expenditure.

Actual expenditure exceeds the budgets of eight projects by R332,4 million.

b) In Gauteng, advertisements calling for tenders for the construction of two new wards at the Sterkfontein Hospital were placed in the media by the provincial Department of Public Works, 30 months after the date proposed by the provincial Department of Health.

30 months to place an advertisement to invite bids.

1.1.5 The provincial departments of Public Works and Health in the Limpopo, North West and Western Cape provinces had not monitored the time taken to complete the designs. The average design period for six projects in the Western Cape was 21 months, and a comparison with the respective construction periods indicated that for five projects the design

Average design period for six projects was 21 months.

period was longer than the construction period. Shortcomings were indentified in the design plans for accommodation at the Khayelitsha and Mitchells Plain district hospitals. Furthermore, in the North West province, standardised design plans that require standardised materials for similar projects were not used during planning and, as a result, hospitals, clinics and health centres were designed individually without considering savings by using standard plans and thereby eliminating some of the design costs.

1.1.6 The communication and coordination between the provincial departments of Health in KwaZulu-Natal, Mpumalanga, North West and Gauteng, the communities, local authorities and/or hospital management was ineffective to ensure comprehensive infrastructure delivery as all the role-players were not properly engaged during the planning of the projects. This contributed to the needs for infrastructure projects not being properly identified and addressed before the commencement of the projects. The following serve as examples:

a) The North West provincial Department of Health did not effectively liaise with the local community and the adjacent mining company to ensure that the new Bapong clinic would be constructed in a demarcated area suitable to all role-players and that would adequately address the health needs of the community. Project construction was postponed during June 2008 as a result of a court interdict obtained by the tribal authorities and the adjacent chrome mine. The estimated budget for the new Bapong community health centre amounted to R24 000 000. The Independent Development Trust Client Progress Report for February 2008 for the North West Health Infrastructure Programme Phase 3, indicated a further increase in cost of R15 220 000. According to the 2011 Medium Term Expenditure Framework the Bapong community health centre is progressing well and was 98 percent completed on 31 March 2011.

Clinic postponed as result of a court interdict obtained by tribal authorities.

b) Management at the Kalafong Hospital in Gauteng was not engaged during the planning stage of the project for upgrading and renovating the intensive care unit, to ensure that their needs were addressed before commencement of the project. This resulted in scope changes

Needs of hospital management not addressed.

and a delay of 41 months after the planned date of completion for this project in which critically ill patients on life support systems were affected.

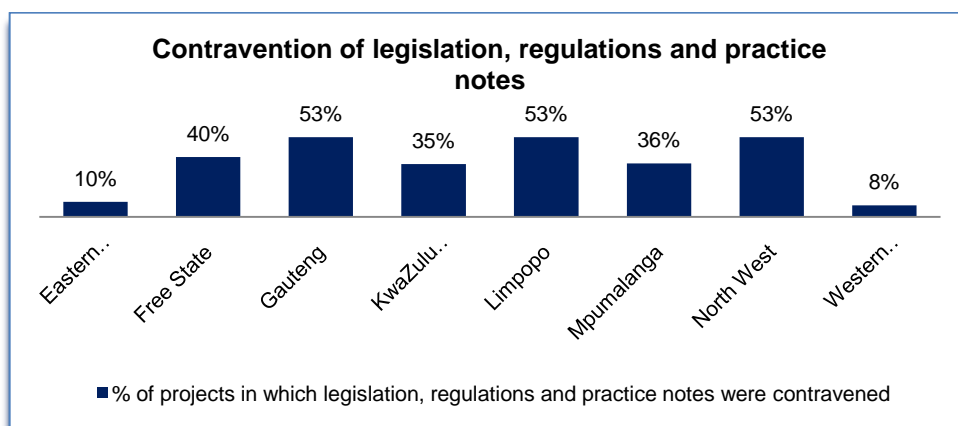
2. Acquisition management

2.1 Findings:

- 2.1.1 The appointment of contractors and consultants involved in infrastructure projects were delayed as, in some instances, the bid evaluation process took longer to complete than the validity period of the bids. The process was not always cost-effective as the Bid Evaluation Committees and the Bid Adjudication Committees did not properly consider the prescribed procurement legislation and regulations in evaluating, scoring and making recommendations to the accounting officer regarding awarding bids. This contributed to contracts being awarded to contractors that did not have the skills and capacity to execute these projects. Procurement legislation, regulations and practice notes issued by National Treasury were contravened in approximately 38% of the projects audited (refer to graph 5 below). Where possible irregular, fruitless and wasteful expenditure was identified, the accounting officer was requested to investigate the matter and institute the actions as required by the Public Finance Management Act.

Procurement legislation and/or regulations were contravened in approximately 38% of the projects selected for auditing.

Graph 5



Note: The Northern Cape is excluded from the graph as the procurement documentation requested by the auditors could not be submitted for auditing. The department reported the amount as irregular expenditure.

2.1.2 The procurement legislation and regulations contains requirements that contractors must fulfil before being appointed. The contractors' ability to comply with these requirements is indicative of its ability to successfully complete the allocated projects and a tax clearance certificate indicates that a contractor's tax affairs are in order or that satisfactory arrangements had been made with the South African Revenue Service to meet any outstanding obligations. In the Free State, Gauteng and North West provinces, three contracts to the value of R1,3 billion were awarded to bidders that failed to submit original tax clearance certificates from the South African Revenue Service. None of the three projects were completed by the contractors and they had to be replaced. The following serves as examples:

Three contracts to the value of R1,3 billion awarded to bidders that failed to submit tax clearance certificates.

- a) In the Free State, a contract to the value of R19,4 million was awarded to a contractor that failed to submit an original tax clearance certificate. Although the Bid Adjudication Committee supported the recommendation of the Bid Evaluation Committee to disqualify the bidder because it did not submit a tax clearance certificate, the head of the provincial Department of Public Works appointed the bidder in contravention of the Preferential Procurement Policy Framework Act. The contract with the contractor was terminated due to insufficient progress and poor quality of construction work. A replacement contract was appointed on 24 November 2008. As at 19 July 2011, the provincial Department of Health confirmed that the work by the second contractor was completed although challenges remained on the quality issues.
- b) In Gauteng, a contract to the value of R334,9 million was awarded to a joint venture to construct the Zola Hospital Complex without confirming the validity of the tax clearance certificates of the members of the joint venture. After the withdrawal of three of the joint venture partners, only one contractor remained. The provincial Department of Health entered into a contract with this contractor, to the value of R480 million, in August 2008. Subsequently, the provincial department of Health's own investigation found that the contractor misrepresented the validity of its tax clearance certificate, with tax returns outstanding since 2004.

Furthermore, the contractor failed to make sufficient progress and deliver quality work. The contract was terminated in September 2008.

Furthermore, a contract to the value of R457 million for the Brits Hospital was awarded to the same contractor in the North West province. The contractor did not submit the required tax clearance certificate and the outstanding taxes was deducted from the first payment to the contractor in the form of a garnishing order. The contract with the Joint venture of the Brits hospital was terminated. During a follow-up visit to the hospital in June 2011, it was indicated that the company that originally submitted the lowest bid was appointed as replacement contractor to complete the hospital. The Brits hospital is now due to be finalised in August 2012.

- 2.1.3 In seven provinces, the Bid Evaluation Committees did not consult the Construction Industry Development Board register to confirm the registration and grading of the bidders during the evaluation process. Contracts to the value of R876,8 million were awarded to contractors for the construction of hospitals, clinics and health centres while the contractors were either not registered with the Construction Industry Development Board or were registered, but held a contract designation grading lower than required. Table 5 refers:

Contracts to the value of R876,8 million were awarded to contractors not registered at the Construction Industry Development Board or held a grading lower than required.

Table 5

Province	Contract value R	Number of projects in which the successful bidders were not registered	Number of projects in which the successful bidders were registered at a lower grading than required	Number of projects in which the contracts were terminated because of a lack of progress or quality considerations
Eastern Cape	109 300 000	-	1	1
Gauteng	23 211 755	1	-	1
KwaZulu-Natal	11 504 622	3	1	2
Limpopo	31 791 374	-	2	-
Mpumalanga	32 755 016	4	-	-
North West	655 338 943	-	4	1
Western Cape	12 933 000	-	1	-

In 24% of the projects where the contractors were either not registered with the Construction Industry Development Board or were registered but held a contract designation grading lower than required, their contracts were terminated and replacement contractors were appointed to complete the projects. Although only 24% of the contracts were terminated, in all the other instances insufficient progress and/or poor quality of workmanship were identified during the construction phase.

- 2.1.4 The procurement legislation and regulations prescribe a process that needs to be followed during the appointment of contractors to ensure that the process is fair, equitable, transparent, competitive and cost effective. In the Gauteng, Free State, Kwazulu-Natal, Limpopo and North West provinces, contracts were awarded to contractors other than those recommended by the Bid Evaluation Committees and Bid Adjudication Committees. The accounting officer overruled or did not consider the decisions and recommendations of the committees. In most instances, the reasons for decisions were not documented as required. This contributed to contracts being awarded to contractors at higher prices than the bid prices of contractors that were recommended by the committees concerned. The following serves as an example:

Contracts were awarded to bidders other than those recommended during the evaluation process.

- a) In the Free State, four contracts were awarded to bidders other than those recommended by the committees. These contracts were awarded at higher contract prices than the bids recommended by the committees. Furthermore, two of these contracts were subsequently terminated due to insufficient progress and poor quality of workmanship by the contractors and replacement contractors were appointed to complete the projects. Table 6 refers:

Table 6

Project	Value of bid recommended by the committees R	Value of bid approved by the head of department R	Project outcome
Elisabeth Ross Hospital	39 968 000	40 158 259	<p>Four years after the completion of the project:</p> <ul style="list-style-type: none"> The paediatric ward was not fully operational as it was unsafe for use due to structural damage such as severe cracks in the walls; and Children were exposed to open water pipes and electricity sockets. <p>It was confirmed on 19 July 2011 that the shortcoming identified at the Paediatric ward was corrected and is now functional.</p>
Tokollo Hospital	34 656 000	36 251 857	<ul style="list-style-type: none"> As at February 2009, one year after the planned completion date, the project was still ongoing and only 92% of the work certified as being completed; The quality of workmanship was poor. Practical completion was only reached in May 2011.
Medical Depot	18 332 219	19 424 511	<ul style="list-style-type: none"> The contract was terminated due to insufficient progress and poor quality of work. Actual payments made to the contractor as at termination was R8 million; A replacement contractor was appointed on 24 November 2008. As at 19 July 2011, the work by the second contractor was completed although challenges remained with regard to quality.
Pelonomi Hospital	1 387 748	1 432 624	<ul style="list-style-type: none"> The contract was terminated due to insufficient progress and poor quality of work. Actual payments made to the contractor as at termination was R644 594; A replacement contractor was appointed with a contract value of R1,5 million, which is more than the original contract value, to complete the project. As at 19 July 2011, the work has been completed.

2.1.5 A competitive bidding process as required by the relevant legislation is necessary to ensure that the provisioning system is fair, equitable, transparent, competitive and cost effective. In the Free State, Gauteng and North West provinces, four contracts were terminated and replacement contractors were awarded contracts to the value of R556 million without inviting competitive bids. Therefore, it could not be determined whether the appointment of the contractors met the criteria listed above.

Four contracts to the value of R556 million awarded without inviting competitive bids.

2.1.6 In the Free State, Gauteng, Mpumalanga, North West and Limpopo

Bids were disqualified based on the bidding prices being too high or too low despite the specific prohibition of the practice.

provinces, the Bid Evaluation Committees disqualified bids based on the bidding prices of prospective suppliers being too low or too high compared to a predetermined estimate. In the Limpopo province, this practice was followed throughout as a standard working method. These bids were excluded from the evaluation process despite this practice being specifically prohibited in a supply chain management practice note issued by National Treasury. The following serves as an example:

Replacement contractor appointed to complete a project at additional costs.

a) In Gauteng, four projects were identified where bids were disqualified based on the fact that the bidding prices of prospective suppliers deviated by more than a predetermined percentage from the estimated costs of the projects. In a project valued at R21,9 million, the contract with the contractor was terminated due to insufficient progress and a replacement contractor was appointed to complete the project at a cost of R12 million. The provincial department of Public Works estimated the financial implication of cancelling the previous contract and appointing a new contractor to complete the work at R3,9 million.

56% of the bidders were disqualified in terms of the price criteria.

b) The prescribed tender process to appoint a contractor for the construction of the Bloemhof Hospital in the North West province was not adhered to as five of the nine bids received from prospective bidders were eliminated from the process as their prices were more than 10% below or above the acceptable price range set by the implementing agent. A contract to the value of R8 million was awarded to a contractor who experienced cash flow problems and had subsequently been placed on terms as a result of slow progress and poor quality of work.

2.1.7 Bid Evaluation Committees did not sufficiently consider and verify the financial viability, available resources, capacity, ability and experience of the contractors and consultants during the appointment process. Furthermore, the contractor's Construction Industry Development Board grading was also not always used as an indicator of its ability to complete multiple contracts simultaneously. As a result:

Multiple contracts awarded to contractors/managing consultants, most of which were subsequently terminated.

- a) Multiple contracts were awarded to contractors or consultants in seven provinces. Contracts with most of these contractors were subsequently terminated due to insufficient progress, unsatisfactory workmanship or a failure to cooperate with the implementing agents. Table 7 refers:

Table 7

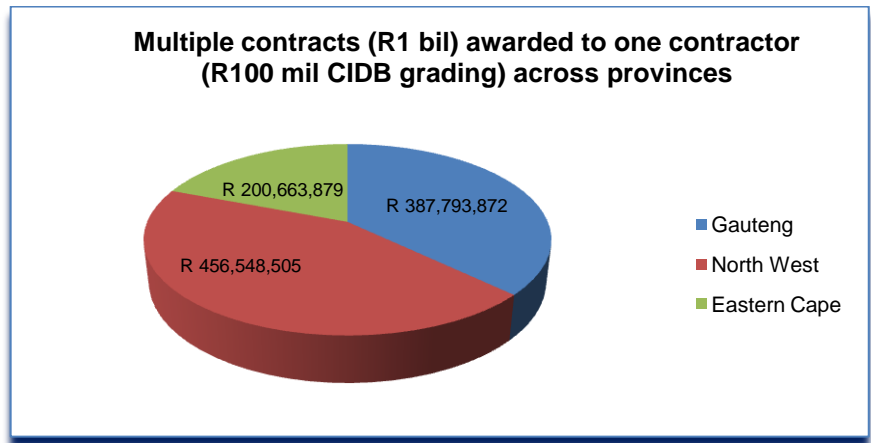
Province	Number of contractors/consultants	Number of projects awarded to the contractors/consultants	Value of contracts awarded R
Eastern Cape	1	4	305 756 010
Gauteng*	2	5	445 483 907
KwaZulu-Natal	3	9	34 519 640
Limpopo	11	57	168 960 270
Mpumalanga	7	44	817 877 070
North West	3	18	57 282 986
Western Cape	2	4	59 430 772

* One of the contractors was a member of a joint venture that was appointed to build wards at a hospital. The value of the hospital contract is R335 million (included in the above figure) and the joint venture failed to complete the contract.

Seven contracts to the value of R1 billion awarded to one contractor within a period of 36 months. All the contracts awarded by the department of Health were later terminated.

- a) Multiple contracts in Gauteng, North West and the Eastern Cape were awarded to one contractor. Seven contracts to the value of more than R1 billion were awarded within a period of 36 months to this contractor individually or as part of a joint venture where in many instances it was the lead contractor. All the contracts awarded by the respective departments of Health were terminated. These contracts were awarded notwithstanding the contractor's Construction Industry Development Board grading of "8 CE PE" that only allows it to conduct projects of R30 million to R100 million.

Graph 6



Contractor unable to complete contracts to the value of R305 million on time and at the required level of quality.

b) In the Eastern Cape, one contractor was awarded four concurrent contracts to the value of R305 million although the contractor was only registered with a Construction Industry Development Board grading to manage a contract up to the value of R100 million. The contractor's grading was not used as a guideline on the volume of work that it could successfully complete in a specific period and the contract amounts therefore exceeded the contractor's grading by 205%. The contractor was unable to complete the projects on time and with the required level of quality.

50% of the appointments were terminated.

c) In the North West province, the capacity and experience of 10 consultants appointed for professional or project management services to the value of approximately R70 million on infrastructure projects, were not evaluated before their appointment. As a result, the consultants did not provide timely and quality work as required. In five instances (50%), the contracts with the consultants were terminated or placed on terms that impacted negatively on service delivery as projects were delayed, contractors' work was not monitored in a timely manner and additional costs were incurred as variation orders had to be issued and contractors paid for standing time.

Service delivery delayed by a lengthy evaluation process.

2.1.8 Delays in the evaluation and/or adjudication processes were identified in the Gauteng, Limpopo and KwaZulu-Natal provinces. In Limpopo, four projects to the value of approximately R18,8 million were identified where the average time lapse between the closing of the tenders and the approval for awarding the contracts was approximately five months.

Furthermore, the 90-day validity period of the bids expired before the contracts were awarded to the successful bidders, leading to the tender prices being outdated and cost increases.

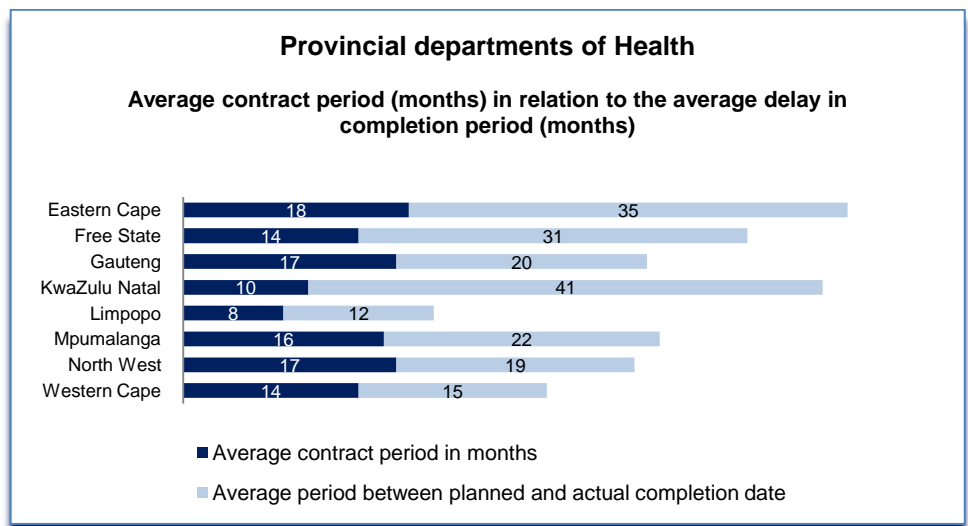
3. Project management

3.1 Findings:

3.1.1 Project management is the responsibility of the implementing agent, the provincial departments of Public Works or the service agent that the provincial departments of Health appointed in this role. The Department of Health nevertheless has to play an oversight role to ensure that the implementing agent is fulfilling its role as agreed and that the end product will serve its needs. To ensure effective service delivery, infrastructure needs to be completed on the planned target date. The projects selected for detailed auditing were, for the most part, either completed late or still being constructed although the contractual completion dates had passed. Where possible, the planned completion dates were compared to the actual completion dates of the projects or the progress at the time when the projects were audited; the average delays in months in relation to the average contract period per province are illustrated in graph 7 below:

Service delivery affected negatively as hospitals and clinics are not completed on planned dates.

Graph 7



Note: The Northern Cape is excluded from the graph as the department and contractor was in a legal dispute. As at November 2010, the project was already delayed for 35 months.

3.1.2 During the construction contract period, the progress on the projects is discussed at regular site meetings. During these meetings, outstanding issues are resolved, decisions are made and instructions are given to the contractors. Although the contractors, provincial departments of Health and Public Works and/or the implementing agents have the responsibility to attend site meetings, in Gauteng, KwaZulu-Natal, Mpumalanga and North West provinces they did not regularly attend such meetings. In some instances, projects were not properly monitored due to capacity constraints. The following serve as examples:

a) Minutes of 36 meetings compiled during the construction of new wards at the Standerton Hospital in Mpumalanga were submitted for auditing. An analysis of these minutes showed that officials from the provincial Department of Public Works did not attend 25% of the site meetings held for the project while officials representing the provincial Department of Health did not attend 78% of these meetings. Although the planned completion date for the project was June 2007, the project was still in progress during 2009. According to the provincial Department of Health, their poor attendance at the site meetings was due to a lack of capacity. This delayed the actions or responses of responsible officials when problems were experienced.

78% of site meetings not attended by the department.

b) Officials from the KwaZulu-Natal provincial Department of Public Works and/or the implementing agents did not regularly attend site meetings due to capacity constraints. The provincial Department of Public Works had a vacancy rate of 64% and the implementing agent had a staff complement of six programme managers to manage 29 projects with a value of R337,4 million for the provincial Department of Health. In addition, the implementing agents used the same resources to manage 230 projects with a value of R210 million for the provincial Department of Education.

64% vacancy rate affected supervision of projects negatively.

3.1.3 Although the provincial Department of Health has the responsibility of visiting projects from time to time to ensure that progress and the quality of work is according to specification, the implementing agent carries the primary responsibility for the oversight of all construction work. In 42% of the projects audited, poor quality of construction work was identified.

Poor quality of work identified at 42% of the projects, negatively affecting utilisation of facilities.

However, this was not identified during the site inspections by the implementing agents, or site inspections were not conducted. In some cases, unsatisfactory work was identified but left unaddressed due to inadequate monitoring by the implementing agents or the fact that the site meetings were not regularly attended by all the relevant role-players. Several defects in constructions were, however, noted during the site visits by the Auditor-General of South Africa. The following serve as examples:

- a) Although unsatisfactory work was identified at the paediatric ward at the Elisabeth Ross Hospital in the Free State, timely action was not taken by the implementing agent against the contractor to address the poor quality of construction work. The ward was completed in December 2004; four years later the ward was still not fully operational as numerous structural defects, such as severe cracks in the walls, still existed. According to management, the ward was not used optimally as it was dangerous and unsafe due to structural damage. It was confirmed though on 19 July 2011 that the shortcomings identified at the Paediatric ward was corrected and is now functional.

- b) Staff at the Ermelo Hospital in Mpumalanga expressed their concerns over the visible cracks and the possibility of the building collapsing due to the failure of the supporting columns. However, the contractor's contract had been terminated in March 2008, 15 months after the planned completion date. A replacement contractor was appointed to complete the outstanding work at a contract amount of R21,9 million which was 107% more than the original contract amount of R13,8 million. In 2009, the provincial Department of Health appointed an independent consultant at a cost of R206 000 to conduct concrete tests on the columns. A report by the consultant revealed that the columns were in a structurally and aesthetically unacceptable condition and should be demolished or structurally reinforced. According to the 2010-11 Annual Evaluation Report, the building has been completed and consultants are busy preparing the final account. The accumulated expenditure for phase 2 until 31 March 2011 (from the beginning of the project) amounted to R53 481 169.

*Unacceptable
structural condition
leads to an additional
R22 million.*

c) Occupation of the intensive care unit at the Kalafong Hospital in Gauteng took place in November 2009, 41 months after the planned completion date and despite the hospital management expressing their concerns that the unit was not ready for occupation due to construction defects. As a result, the hospital could not properly treat patients suffering from burn wounds during the period of renovation, as burn patients require a separate isolation room. Burn patients had to be referred to other hospitals, and in some instances, the hospital had to admit patients with burn wounds into the temporary intensive care unit, leading to fewer beds being available for other critically ill patients. The beds in the temporary unit were in close proximity to each other, which posed an infection risk and the hospital reported four of six patients with resulting cultured infections.

3.1.4 Although contractors did not make adequate progress during the contractual term, their contracts were either not cancelled timely or delays in appointing replacement contractors were identified as the implementing agents did not regularly monitor the progress on the projects to ensure the timely cancellation and replacement of contractors. When contractors were replaced, additional costs were incurred; therefore, the combined costs of the original and the replacement contractors exceeded the original contract price in some instances. The following serve as examples:

a) In the Northern Cape, a joint venture was appointed to construct the New Mental Health Facility in Kimberly at a contract amount of R290,5 million, with a commencement date of 13 September 2005 and a completion date of 14 December 2007. An extension of 131 days was granted and the completion date was amended to 20 March 2008, but the hospital was still not complete as at December 2009 when the contract with the joint venture was terminated. A site visit in November 2010 confirmed that work on the project had not resumed. The total amount spent before the contract was terminated was R354,4 million. It was estimated that another R53 million will be needed to complete the project.

R354,4 million spent on project that came to a standstill, three years after the planned completion date. The facility was not completed.

Picture 10:
Construction on the New Mental Health Facility that should have been completed during December 2007 was terminated during December 2009 and as at November 2010 the project had not resumed as indicated in the picture.



- b) In the Eastern Cape, the provincial Department of Health did not take prompt action to cancel contracts where contractors did not show the required progress and/or where the quality of work did not meet the standards. Four projects were identified where contracts were only terminated approximately two years after the planned completion dates of the projects. The actual construction cost of one project amounted to R142 million at the time of the termination, which was 36% more than the original contract amount of R105 million. The tender was advertised to appoint a replacement contractor. However, as the tender for the completion of the project was R57,6 million, additional construction costs owing to the non-performance of the original contractor was estimated at R95 million which was 90% more than the original contract amount.

Projects were terminated approximately two years after the planned completion dates.

- c) In the North West province, a contract with a value of R460 161 was awarded with a planned completion date of 23 April 2006. The contract was terminated in February 2007 due to insufficient progress and poor quality of work. Although tenders to appoint a replacement contractor were invited in February 2009, by 30 June 2009, which is more than two years after the contractor was terminated, a replacement contractor had still not been appointed.

The appointment of a replacement contractor was delayed for more than two years.

- 3.1.5 Contractors experienced cash flow problems which negatively affected progress on projects as they were unable to pay their suppliers, subcontractors and workforce. Late payments, which contributed to the cash flow problems, were made to the contractors by the provincial Department of Health or the implementing agents in the Eastern Cape,

Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga and North West provinces. The contractors were therefore not financially able to complete the projects.

Payments were made more than four months after invoice date.

- a) In the Free State, two invoices to the value of R16 million were paid 136 and 81 days respectively after the receipt of the invoices.
- b) In KwaZulu-Natal and the Eastern Cape claims were instituted by the contractors and implementing agents concerned. In KwaZulu-Natal, a dispute arose between the provincial departments of Health and Public Works and the implementing agent regarding outstanding progress payments amounting to R56,2 million. Due to the outstanding progress payments, construction of the projects was suspended for four months between October 2008 and February 2009. The provincial Department of Health paid an amount of R9,7 million in damages, loss of profit, standing time and establishment costs incurred by the contractors as indicated below:

Contractor's claim of R56,2 million for outstanding progress payments.

Table 8

Projects	Claims for damages R
Nongoma PMTCT Unit	348 271
KwaMashu Community Health Centre	3 866 741
New Turton Community Health Centre	804 747
Manguzi	60 000
St Chads Community Health Centre	1 391 771
Ulundi Clinic	1 577 124
Qualukubheka Clinic	40 000
Contingencies at 20%	1 617 531
Total	9 706 185

- c) Late payments made by the implementing agents in the Eastern Cape resulted in interest being charged by contractors. As an example, the interest charged by a contractor on a project in respect of 29 payments, amounted to R801 526. An estimated R2,2 million was claimed from the provincial Department of Health during the 2008-09 financial year in respect of interest on late payments.

Interest of R801 526 charged for late payments.

3.1.6 To ensure timely completion of projects the provincial Department of Health or the implementing agent can deduct a penalty from the contract price for each day of the delay until actual delivery. This can be a set amount, a percentage of the contract price or a percentage of the outstanding work. Instances were identified in the Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga, Northern Cape, North West and Western Cape provinces, where the implementing agents did not enforce penalties for slow progress, delays and late completion of projects, or where penalties were applied in an inconsistent manner. Reasons for not enforcing penalties included the fact that contractors were paid late, which caused delays as contractors were experiencing cash flow problems. The following serve as examples:

Inconsistent application of penalties for slow progress.

a) Penalties for poor performance by contractors in the North West province were applied in an inconsistent manner without documented reasons and set criteria. Penalties were either waived, not provided for in the contracts, or charged at R1 200 per calendar day, 0.5% of the contract value per week or 0.05% of the contract value.

b) A joint venture was appointed to construct the New Mental Health Facility in the Northern Cape at a contract amount of R290,5 million, with a planned completion date of 14 December 2007 which was later extended to 20 March 2008. As at 31 August 2009, the contract was 19 months beyond the completion date and penalties had accumulated to approximately R11,3 million but were not yet levied by the Department of Health.

Penalties of R11,3 million not levied.

4. Commissioning and utilisation

4.1 Findings:

4.1.1 Coordination and liaison between the officials at the provincial departments of Health and Public Works or the implementing agents was insufficient to ensure that newly constructed hospitals, clinics and health centres, or sections thereof, were used optimally at the time of commissioning. In the Eastern Cape, Free State, KwaZulu-Natal, North

Hospitals and clinics not optimally used.

West and Western Cape provinces, insufficient synchronisation between the times of commissioning, the appointment of staff and the availability of certain equipment and services led to the hospitals and clinics not being used optimally. The following serve as examples:

Staff shortages and lack of equipment at clinics.

a) At the Winburg and Brandfort clinics in the Free State, the planned completion dates for the projects were 6 September 2005 and 26 September 2004 respectively. However, occupation only took place during June 2008, which was more than two years and nine months after the planned completion dates. During 2009, it was noted that the clinics were still not fully utilised due to staff shortages and a lack of certain equipment.

Facilities not used for more than one year due to staff shortages.

b) At three facilities in KwaZulu-Natal, projects were completed and furniture and equipment delivered, however, the facilities were not used immediately as staff was not made available by the provincial Department of Health. Although a unit within a facility was completed on 18 September 2007, it was only commissioned on 6 January 2009, which is 1.4 years after its completion.

4.1.2 Purchasing equipment for infrastructure should be coordinated to ensure that it is available for installation at the appropriate time during the construction or commissioning of the facilities. In the Eastern Cape, Gauteng, North West and Western Cape provinces, equipment to the value of approximately R12,5 million was purchased by the provincial departments of Health but could not be used due to the late completion of the projects by the contractor. The following serve as examples:

Equipment of R12,5 million not used due to the late completion of projects.

a) Although the planned completion date for the laundry section at the Komani Hospital in Eastern Cape was 17 April 2008, the section was still not complete as at March 2009. An assessment by a second contractor indicated that it would not be viable to complete the project due to substantial defective work. This resulted in laundry equipment, amounting to R4,9 million being stored in an unsecured, uncovered area within the hospital complex. Furthermore, the hospital management decided to outsource a portion of the laundry service,

Equipment of R4,9 million stored outside a hospital.

which amounted to R116 924 for the period September 2008 to March 2009.

Picture 11:
Laundry equipment to the value of R4,9 million were stored in an uncovered area within the Komani Hospital complex as the laundry section that should have been completed during April 2008 was still not completed during June 2011.



As at 21 June 2011, the project was at a standstill as a new contractor had not yet been appointed.

- b) At the Kalafong Hospital in Gauteng, equipment to the value of R5,8 million was purchased by the provincial Department of Health during January 2008 for use in the ICU and High Care facilities. The use of some of the equipment had to be delayed as the project was still under construction on the date of delivery. The project was completed in November 2009, which is almost two years after the equipment was purchased. Some of the equipment was in storage at the hospital and the warranties had already lapsed before the equipment was used.

Warranties of equipment lapse before it was used.

- 4.1.3 In the Eastern Cape, KwaZulu-Natal, Limpopo and Western Cape provinces, projects that were completed had facilities standing unused or used for other purposes, such as a storage place for equipment. Some facilities were not operational owing to funding constraints, which delayed the training and/or appointment of the required staff.

- a) At the George Hospital in the Western Cape, the maternity theatre, day care ward and the restaurant were unused for up to six years. The handover dates for the restaurant, theatre and day care unit was 2002, 2004 and 2005 respectively. The estimated cost of the unused areas was R8,7 million. In August 2009, the provincial Department of Public Works was in the process of leasing the restaurant area to a private service provider.

R8,7 million worth of facilities not used for up to six years.

Picture 12:
As at August 2009, the day care unit at the George Hospital was unused since its completion in 2005.



- 4.1.4 Shortcomings in the work of the contractor are communicated to the contractor on a snag list. Retention monies should be deducted from progress payments to contractors to ensure that the contracts are completed at the required level of quality, and should remain in place as a security against any defaulters or in lieu of poor workmanship. The retention monies should be released at the expiry of the retention period. In the Limpopo province, snag lists indicating the defects that had to be corrected by the contractor before the final hand-over of the project could not be submitted for auditing in 13% of the projects that were selected for auditing. For example, although poor quality work such as leaks and cracks in the walls and pavements at the Jane Furse hospital was identified, snag lists for all five phases of this project could not be submitted for auditing. Despite this, the final completion certificates were signed off by the provincial Department of Health and the implementing agent. Furthermore, outstanding issues were not always resolved in the retention period of six months (three months for the Limpopo province) and the national Department of Health reported during October 2010 that 620 projects were in the retention phase compared to 560 being under construction.

Completion certificates signed off without addressing outstanding defects.

5. Recommendations:

- 5.1 The national Department of Health should:
- 5.2 Compile a specific policy that deals comprehensively with the infrastructure delivery process in the health sector. This policy should

address issues such as:

- a) Roles and responsibilities of the national department, provincial departments and implementing agents should be defined;
- b) The process and information to be used to facilitate the need determination. This should indicate for example, how to interpret and validate statistical information and demographic trends;
- c) A formal prioritisation model with set priorities to facilitate the ranking of needs to ensure that the most urgent needs are addressed first;
- d) Stakeholder interaction and consultation such as community organisations, governing bodies and local authorities;
- e) The independent approval of deviations from prescribed procurement process should be clarified;
- f) Guidance on the evaluation of contract proposals especially with regard to the evaluation of the capacity of contractors to execute multiple contracts;
- g) Communication between departments and provinces of contracts awarded, and contractors and consultants not performing according to expectations; and
- h) Coordination between the different role players to ensure that projects can be commissioned and utilised at first handover.

5.1.1 Issue guidelines for the implementation of the above policy.

5.1.2 Issue specific norms and standards for infrastructure in the health sector and promote adherence to these norms and standards.

5.1.3 In light of the shortage of hospitals and clinics, consider extending its capacity and skills basis to become more actively involved in the infrastructure delivery process on the provincial level.

5.2 With regards to the hospital revitalisation programme, the department should:

5.2.1 Have oversight of the procurement process to ensure compliance with legislation and regulations when contracts are allocated, to eliminate irregular expenditure and to ensure that their funds are utilised

economically, efficiently and effectively.

- 5.2.2 Continuously track progress until the completion of the projects. Progress should be monitored continuously, with the percentage of work completed and milestones achieved compared to the percentage payments to the contractor. The department should implement punitive measures against provincial departments where projects do not progress satisfactorily.
- 5.2.3 Consider inspecting work in progress and completed projects to evaluate the quality of work as well as the use of completed projects. This information should be considered when future allocations of hospital revitalisation funds are contemplated.
- 5.2.4 Investigate unused or underutilised infrastructure funded through the hospital revitalisation grant. Instances of fruitless and wasteful expenditure should be investigated and action should be implemented to fulfil the requirements of the relevant legislation.

6. Comments from the national Department of Health:

- 6.1 The national Department of Health has taken note of the contents of the report and agrees with most of the findings.
- 6.2 The following remedial action has been put in place and is underway to address the challenges related to the management and planning for health infrastructure:
 - a) An engineer has been appointed at the national Department of Health to oversee all aspects of infrastructure including the revitalization of hospital grant;
 - b) The National Health Council has approved that all provincial departments of Health should also appoint resident engineers to serve the same purpose as the national engineer, to ensure that decisions and work done by the implementing agencies such as the departments of Public Works and Independent Development Trust have the inputs and participation of the departments of Health as the client and users of the facilities. In addition, technical assistants have been appointed

for some provinces and are in the process of being appointed for all provinces to enhance capacity and oversight;

- c) Support to the provincial departments of Health by the national Department of Health has been strengthened;
- d) An integrated approach is being implemented to address health technology and infrastructure as one programme to ensure efficiency and better planning;
- e) Improved planning is being implemented to ensure that funding is aligned to the milestones and phases of the infrastructure plans, including maintenance and efficient management of professional fees per project;
- f) Expenditure per project is being monitored on a monthly basis to address possible under expenditure in advance and intervene where applicable. This applies to the management of cash flow too, as well as avoiding late payments and interest charged;
- g) Consultation with provinces has improved, through the newly established Provincial Progress Review Committee meetings chaired by the national Department of Health; and
- h) As part of the strengthening capacity and monitoring of projects, Service Level Agreements will be signed with all the provincial departments of Health and Public Works with the intention to clearly define the role of the various service providers providing coordination functions.

6.3 The national Department of Health intends developing standard and uniform designs of health facilities to reduce the professional fees in this area and to standardize the format of consultant appointments, with clear descriptions of scope of work and their roles in the professional teams.

6.4 The norms and standards should be incorporated into standard and uniform designs to reduce professional fees.

ANNEXURE A

OVERVIEW FOR THE DEPARTMENT OF EDUCATION

1. Section 29 of the Bill of Rights, states that everyone has the right to basic education, including adult basic education, and to further education which the state, through reasonable measures, must make progressively available and accessible. The constitution provides for compulsory primary education. However, in real terms, the Bill of Rights obligates the government to take appropriate/reasonable measures to make secondary and further education progressively accessible to all.

2. Section 3 of the 1996 South Africa Schools Act provides for a compulsory general education phase for ages 7 to 15 or grades 1 to 9. Provincial Members of the Executive Council are responsible for providing school places for every child of eligible age for their compulsory general education and training. In addition to the legal requirements, South Africa's skills shortage and the overall development imperative require that quality education should be accessible to all eligible learners.

3. According to the Education Management Information System 2010 school realities document dated August 2010, there are approximately 12 million learners in the public school sector. The number of learners, educators and public schools are reflected in table 9 below:

Table 9

Provinces	Learners	Educators	Schools
Eastern Cape	2 003 129	66 626	5 588
Free State	638 756	23 016	1 422
Gauteng	1 776 925	57 423	2 013
KwaZulu-Natal	2 743 979	87 466	5 927
Limpopo	1 860 700	55 992	3 965
Mpumalanga	1 013 760	33 245	1 838
Northern Cape	266 296	8 617	597
North West	746 096	25 074	1 646
Western Cape	959 714	31 870	1 455
Total	12 009 355	389 329	24 451

4. According to the Budget Vote Speech delivered by the Minister of Basic Education on 23 March 2010, the backlog for education related infrastructure is estimated at R140 billion. The infrastructure backlog would be eliminated in 20 years based on an average financial allocation of R7 billion per year. During the 2000-01 financial year, the provincial departments of Education spent R553 million on infrastructure. The budget for the 2009-10 financial year for infrastructure is R5,5 billion and is expected to increase over the medium term until it reaches R9,4 billion in the 2012 - 13 financial year. The schooling 2025 programme currently under development, will make provision for short- to medium-term initiatives to source alternative resources for school infrastructure development. These resources will be aimed at eliminating the backlog of schools that fail to meet the basic functionality levels of provision. While addressing this backlog, the proposed initiatives will also strive to upgrade these schools to optimum functionality.

5. According to the *“National Policy for equitable provision of an enabling school, physical teaching and learning environment”*, studies show that there is a link between the physical environment in which learners are taught, teaching, and learning effectiveness, as well as the student learning outcomes. The impact that physical environments have on teaching and learning effectiveness are indicated below:
 - 5.1 Poor learning environments contribute to irregular attendance and students leaving before finishing their studies; teacher absenteeism, attrition and turnover; and the inability of teachers to engage the students in learning.

 - 5.2 The age or physical appearance of school buildings influences the students’ achievements and the teachers’ attitudes toward the school.

 - 5.2 Extreme thermal conditions of the environment:
 - Affect academic achievement;
 - Affect the student’s ability to grasp instruction;
 - Tend to produce harmful physiological effects on students at temperatures above 27 degrees Celsius;
 - Increase annoyance and reduce the attention span and mental efficiency of all, especially in situations where learners perform tasks calling for quick recognition and response;

- Increase errors in performing tasks; and
- Increase teacher fatigue and deterioration of work patterns.

5.4 Good lighting contributes significantly to:

- The aesthetics and psychological character of the learning space;
- The students' ability to perceive visual stimuli and to learn; and
- The students' ability to concentrate on instruction.

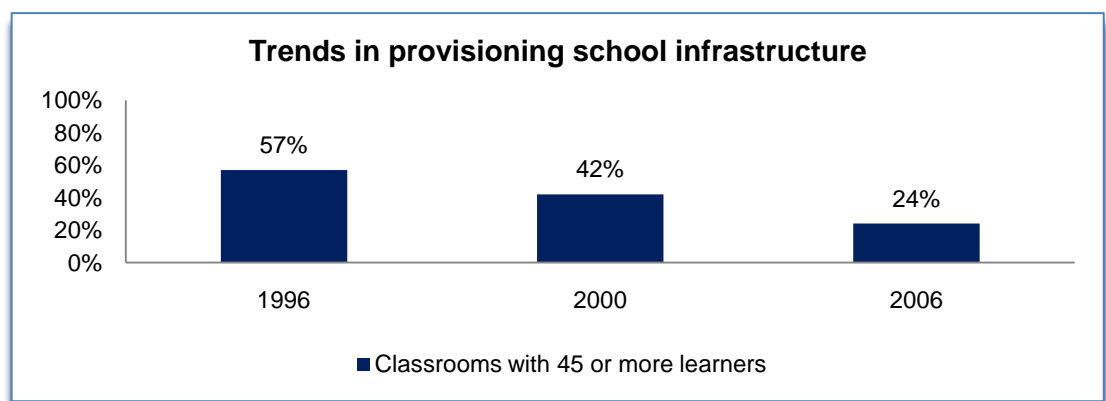
5.5 Colour influences the student's attitude, behaviour, learning and attention span, as well as the student and teacher mood, absenteeism and feelings about school.

5.6 Good acoustics improves ease of hearing and concentration, especially considering that at any one time, 15% of students in an average classroom suffer from a hearing problem that is either genetically based, noise induced or caused by infection.

5.7 Outdoor activities contribute to formal and informal learning systems, physical education, social development, team work and school community relationships.

6. According to the *“National Policy for equitable provision of an enabling school, physical teaching and learning environment,”* the provision of classrooms improved from 1996 to 2005. In 1996, 57% of classrooms accommodated 45 or more learners, while this figure decreased to 24% in 2006. Graph 7 refers:

Graph 7

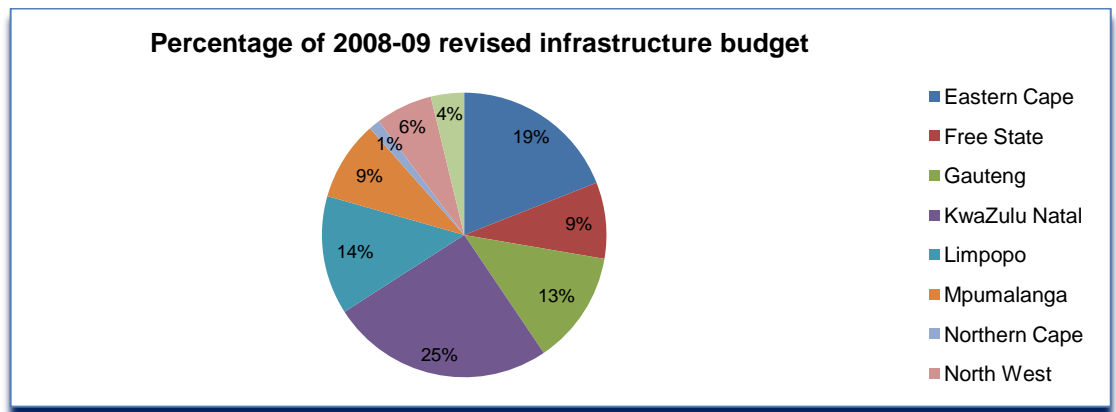


Furthermore, the National Policy also states that progress is evident, albeit inadequate and uneven. Inadequacies are stark in some aspects such as the

provision of school libraries; nearly 80% of schools are still without science laboratories; the lack of computers for teaching and learning in 68% of schools; and inadequate classrooms leading to overcrowding in nearly a quarter of the schools.

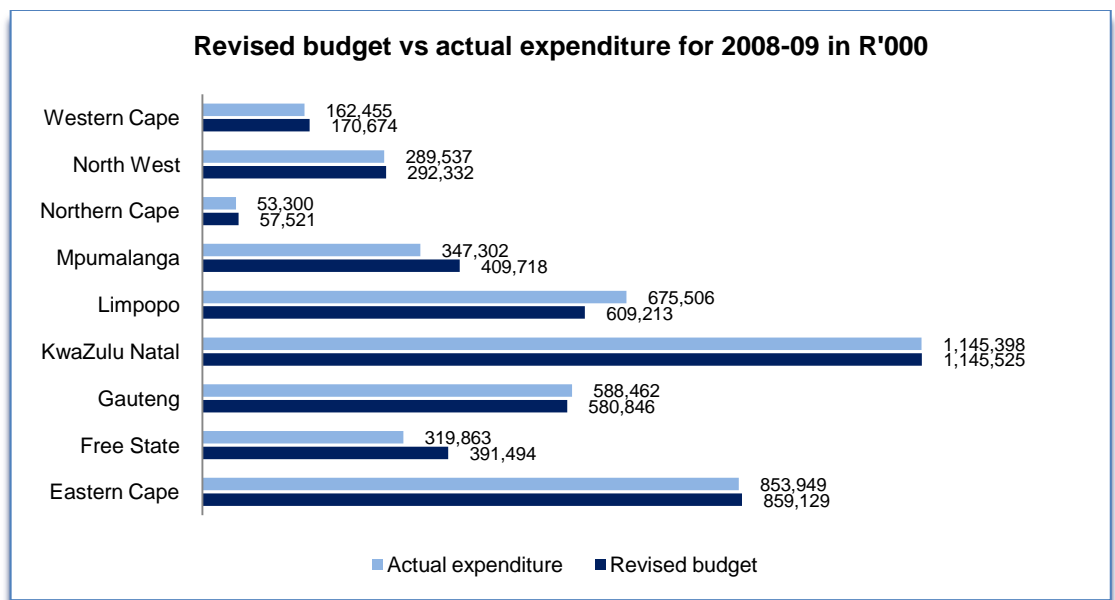
- The provincial departments of Education infrastructure budgets for the 2008-09 financial year was R4,5 billion. Distribution per province is indicated in graph 8 below:

Graph 8



- The actual expenditure of funds for infrastructure for the 2008-09 financial year aggregated R4,4 billion which was 2% below the budget of R4,5 billion. The actual expenditure compared to the revised budgets for the 2008-09 financial year, are indicated in graph 9 below:

Graph 9



ANNEXURE B

OVERVIEW FOR THE DEPARTMENT OF HEALTH

1. According to the national Department of Health's strategic plan for the period 2010-11 to 2012-13, the population growth between 2004 and 2009 had outstripped the availability of health facilities. For instance, the country's population per clinic is 13 718 which is inconsistent with the World Health Organisational norm of 10 000 people per clinic. The availability of health facilities is reflected in table 10 below:

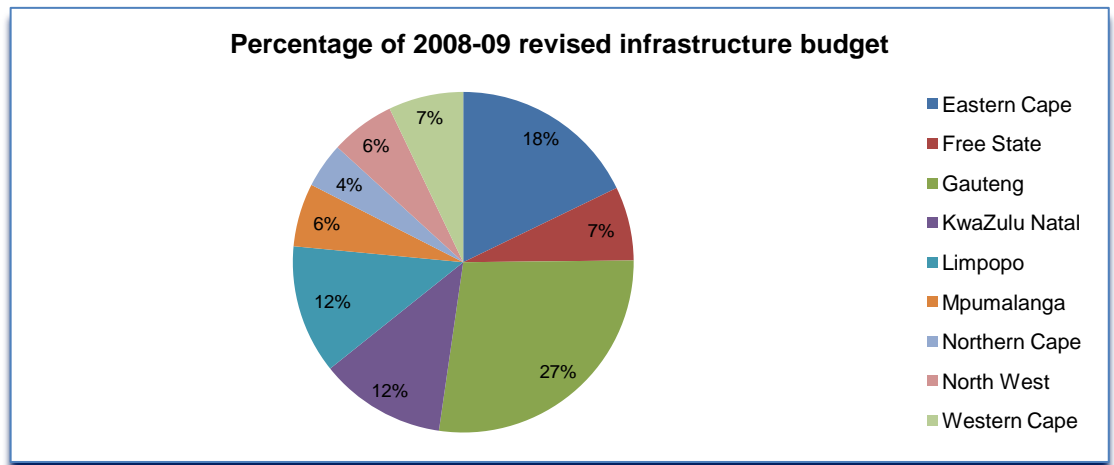
Table 10

Health facility	Number of health facilities	Population per health facility
Clinic	3 595	13 718
Community Health Centre	332	148 553
District Hospital	264	186 817
National Central Hospital	9	5 479 966
Provincial Tertiary Hospital	14	3 522 835
Regional Hospital	53	930 560
Specialised Psychiatric Hospital	25	1 972 788
Specialised TB Hospital	41	1 202 919
Total	4 333	13 458 156

2. The roles and responsibilities of the national Department of Health and the provincial Health departments are captured in the National Health Act, 2003 (Act no. 61 of 2003). In terms of this legislation, the national department should ensure the implementation of the national health policy in as far as it relates to the national department, and issue guidance for the implementation of the national health policy. The provinces should implement the national health policy, norms and standards. To be able to deliver quality health-care services, each provincial department must determine the need for infrastructure and budget for capital projects. The provincial Health departments do not undertake the construction of infrastructure, but use the respective provincial departments of Public Works and a number of public entities such as the Independent Development Trust, Ithala Development Finance Corporation and the Eastern Cape Development Corporation instead, to act as their implementing agents.
3. The provincial departments of Health infrastructure budgets for the 2008-09 financial year was R4,8 billion. Distribution per province is indicated in graph 10

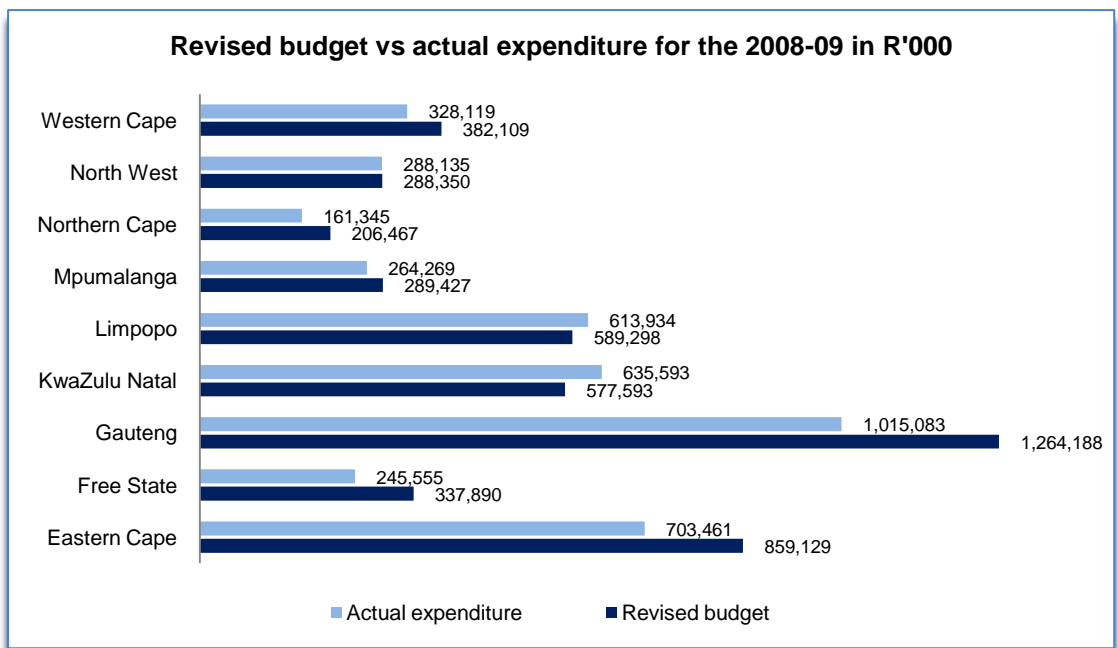
below:

Graph 10



4 The actual expenditure of funds for infrastructure for the 2008-09 financial year aggregated R4,3 billion which was 11% below the budget of R4,8 billion. The actual expenditure compared to the revised budgets for the 2008-09 financial year, are indicated in graph 11 below:

Graph 11



5 The national Department of Health introduced the hospital rehabilitation and reconstruction programme during 1996. The objective of the programme was to address the facilities backlog. This programme consisted of the following four

components:

- a) Infrastructure
- b) Health technology
- c) Organisational development and management
- d) Quality assurance.

The national Department of Health supported the provincial departments with the hospital revitalisation grant on an annual basis. Annually, the provinces present the national department with information on their hospital revitalisation needs. These requests are then analysed by the national department and funds are allocated on the medium-term expenditure framework. The actual expenditure, adjusted appropriation and the medium-term expenditure framework allocations for the period 2006-07 to 2012-13 are indicated in table 11 below:

Table 11

Actual expenditure R' million			Adjusted appropriation R' million	Medium term expenditure estimates R' million		
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
1 498,7	2 118,5	1 884,8	3 495,2	3 939,6	3 789,7	3 805

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