



## **human settlements**

Department:

Human Settlements

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# **REVISED PROCEDURE FOR CLOSING OUT OF PROJECTS**

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## **1. INTRODUCTION**

Project close-out is the final task in project integration management. Each activity in a project must be finalized and all work that has been completed or cancelled must be documented and communicated to the relevant parties and stakeholders. Closing out of project inherently means bringing the project to an orderly end, and also verifying that all the deliverables are complete. This applies to projects that have reached the completion stage, and those that get terminated before reaching the completion stage. It is important to formally close a project, even if the project gets terminated as this will help to reflect on what can be learned to improve the future projects.

## **2. BACKGROUND**

The KZN Department of Human Settlements had a close-out checklist which was in place since June 1999. This was designed for use by project monitors. Unfortunately, this was not uniformly adopted by all regions and hence its application discontinued. As a result, a review was done with the Procedure on the Closing Out of Projects which was approved by the MEC on 11 November 2011.

Many projects have become blocked due to project closure not commencing early in the project cycle. This is due to the mistaken belief by housing practitioners that close-out takes place at the end of the development process.

Project Close Out process is integral to the Project Management and Monitoring function and must commence early in a project cycle. Every deliverable must be verified as the project progresses. Project Close-Out involves a number of role players which ensure that each activity in the project is closed, and the official completion of the project is confirmed. Refer to the Flow Diagram on the Revised Procedure for the Closing Out of Projects: *Annexure A.*

## **3. PROBLEM STATEMENT**

Currently this province is burdened with numerous projects that have reached the close-out stage but have not closed out. This is due to certain tasks related to close-out that have not been properly carried out from the initial stages of the project. This has therefore resulted in most projects remaining inactive indefinitely.

## **4. OBJECTIVE**

- 4.1 To update the 2011 version of the Procedure on the Closing Out of Projects in an effort to align processes within the current practice.
- 4.2 To assist in identifying problems early in the project cycle so that necessary remedial action is taken in time to prevent blocked projects.
- 4.3 To deliver quality housing to beneficiaries within the funding allocated to projects.

4.4 To reduce a number of projects that are classified as blocked on the Housing Subsidy System, due to these projects not being closed off properly.

4.5 To assist in identifying policy gaps which will inform policy development.

## 5. PROCEDURE FOR PROJECT CLOSURE

The following guidelines are applicable to all projects initiated by KwaZulu- Natal Department of Human Settlements excluding Rental Housing Projects.

### 5.1 OPENING AND MAINTAINING A PROJECT CLOSE OUT FILE

Once the project agreement has been concluded the developer and the Provincial Department must open and keep a project close out file with the following documents:

- Copy of the Project Agreement
- Land Availability Agreements / Development Rights Agreements / Land Purchase Agreements
- Services Agreements
- Sales Agreements
- The various certificates mentioned below
- Professional indemnity certificates which are valid for a period of at least two years beyond the completion of the project
- Confirmation from the municipality and/or implementing agent/project manager that the contractors/developers guarantees have been released

### 5.2 IDENTIFICATION OF PROJECTS FOR CLOSE OUT

Projects will qualify for close-out in the following circumstances:

- Projects which have properly carried out the necessary close-out activities to the end
- Slow moving projects : This refers to those projects that are moving far behind the scheduled time frame

**5.2.1 Problematic projects:** There are various reasons that may lead to a project being categorized as problematic. The following are some examples of such projects:

- **Beneficiary Problems:** The advancement of the project is affected in instances where beneficiaries die or go missing before the project is finalized. This impinges on the progress of the project until the problem is resolved.
- **Legal Processes:** Problems within the project that require legal processes to be followed before any action is taken have a negative influence on the continuity of the project. This includes projects where fraud or corruption has been uncovered or the developer becomes liquidated and cannot complete the project.

- **Additional Funding:** Some projects become interrupted as they require additional funding due to escalation. The interruption leads to the project becoming dormant indefinitely until the required funding is approved.
- **Inadequate Capacity:** Existing and new projects require dedicated capacity to ensure that all required processes are pursued. Lack of capacity from the Municipality or the Province may lead to a project becoming delayed.
- **Land:** Any delays related to land may cause a major setback in achieving progress in a project within the set time frame.

### 5.3 REASONS FOR PROJECT CLOSURE

The project manager compiles a report and submits it to the MEC, recommending project closure. The proposed structure for Project close-out will be the responsibility of the **Sustainable Human Settlements (SHS) Chief Directorate**. Project closure takes place under the following conditions:

- At the time of the proposed termination, there are no funds outstanding either to or from the Department, and the project cost and units are the same as stipulated in the Project Agreement.
- The project units are less than the units stipulated in the Project Agreement, although there are no funds outstanding at the time of the proposed termination.
- At the time of the proposed termination, there are funds outstanding either to or from the Department, and moneys should be paid to, or recovered from, the Department.

*The MEC approves requests for project closure and issues resolutions. The final process of the project (official & final project closure) must be done not later than 3 months after completion of the project.*

### 5.4 STAGES OF PROJECT CLOSURE

In terms of the existing project processes, project closure must be undertaken throughout the **3 stages (2 stages in rural)** of a project as implemented in KZN. A Project Close Out file must be opened by the Integrated Planning Directorate and handed over to Sustainable Human Settlements for subsequent close out stages. All applicable activities within each stage must be closed out before proceeding to the next stage of the project.

A Close Out report must be compiled and submitted to the Chairperson of the Technical Evaluation Committee (TEC) at the end of each stage for recommendations to the Head of Department (HoD) for approval. Official and Final Project Closure must be done not later than three (3) months after completion of the project and submitted to the MEC for approval. The final project closure must consist of the reports submitted to TEC at the end of the various stages.

Each stage of the project closure will accommodate the following 3 categories,

▪ Technical	▪ Administrative & Legal	▪ Financial
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CATEGORIES	PROJECT STAGES		
	STAGE 1 URBAN & RURAL PLANNING CLOSE OUT	STAGE 2 URBAN SERVICES CLOSE OUT	STAGE 3 URBAN STAGE 2 RURAL TOP-STRUCTURE CLOSE OUT
	<i>*The following responsibilities must be undertaken or overseen by the relevant responsible Planner of the project</i>	<i>*The following responsibilities must be undertaken or overseen by the relevant responsible Project Monitor of the project</i>	<i>*The following responsibilities must be undertaken or overseen by the relevant responsible Project Monitor of the project</i>
TECHNICAL	Evaluation of core Risk Areas must be undertaken and the relevant report received.		
	<b>1) Land</b> <ul style="list-style-type: none"> <li>▪ Detailed land status report</li> <li>▪ Compatible with the IDP and Land development objectives.</li> <li>▪ ITB: Development Rights Agreement: applicable in rural areas.</li> </ul>	<b>Township Establishment</b> <p>A certificate confirming that all conditions of establishment have been complied with, is issued at this stage by the developer. An approved General Plan as well as proclamation of the township and Confirmation on the opening of the township registers.</p>	<b>Construction of a Top Structure</b> <ul style="list-style-type: none"> <li>▪ A contract agreement is entered between IA and Contractor for the construction of a top structure as per the prescribed specification and inspected by NHBRC and provincial inspectors before handover to beneficiaries.</li> </ul>
	<b>2) Services</b> <ul style="list-style-type: none"> <li>▪ Bulk Services capacity confirmed by engineering design including letter of confirmation approved by relevant funding authority.</li> </ul>	<b>Bulk and Link Services</b> <ul style="list-style-type: none"> <li>▪ The Municipality issues a certificate confirming that a service agreement has been concluded between itself and the Developer/IA.</li> <li>▪ A service agreement is entered between Municipality and Implementing Agent for the installation of bulk and services.</li> <li>▪ Clearance and operational certificates must be issued by the Municipality accepting that the services are completed and the Municipality is taking over.</li> <li>▪ The relevant certificates must be secured from the IA's / professionals for close-out purposes.</li> </ul>	

CATEGORIES	PROJECT STAGES		
	STAGE 1 URBAN & RURAL PLANNING CLOSE OUT	STAGE 2 URBAN SERVICES CLOSE OUT	STAGE 3 URBAN STAGE 2 RURAL TOP-STRUCTURE CLOSE OUT
	<i>*The following responsibilities must be undertaken or overseen by the relevant responsible Planner of the project</i>	<i>*The following responsibilities must be undertaken or overseen by the relevant responsible Project Monitor of the project</i>	<i>*The following responsibilities must be undertaken or overseen by the relevant responsible Project Monitor of the project</i>
	<b>1) Planning</b> <ul style="list-style-type: none"> <li>▪ Confirmation of General Plan in terms of SPLUMA/PDA/DFA / LEFTEA</li> </ul>	<b>Home Enrolment</b> <ul style="list-style-type: none"> <li>▪ Registration of houses with the NHBRC is undertaken.</li> <li>▪ Registration Certificate is issued.</li> </ul>	
	<b>2) Geotech</b> <ul style="list-style-type: none"> <li>▪ Preliminary report on Land Sustainability (geotechnical, topographical, environmental etc.)</li> </ul>		
	<b>3) Social</b> <ul style="list-style-type: none"> <li>▪ Socio-economic study.</li> <li>▪ Payment of rates and services.</li> <li>▪ Monitor/Facilitator Report.</li> </ul>		
	<b>4) Environmental Impact assessment</b> <ul style="list-style-type: none"> <li>▪ EIA screening report.</li> </ul>		

CATEGORIES	PROJECT STAGES		
	STAGE 1 URBAN & RURAL PLANNING CLOSE OUT	STAGE 2 URBAN SERVICES CLOSE OUT	STAGE 3 URBAN STAGE 2 RURAL TOP-STRUCTURE CLOSE OUT
	<i>*The following responsibilities must be undertaken or overseen by the relevant responsible Planner of the project</i>	<i>*The following responsibilities must be undertaken or overseen by the relevant responsible Project Monitor of the project</i>	<i>*The following responsibilities must be undertaken or overseen by the relevant responsible Project Monitor of the project</i>
ADMINISTRATIVE & LEGAL	<ul style="list-style-type: none"> <li>▪ Secure copies of approved project submission for Stage 1 signed by the MEC.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Secure copies of approved project submission for stage 2 signed by the MEC.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Legal certificates confirming the transfer of all erven to the Beneficiaries.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Project agreement between the MEC and the developer/IA.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Project agreement is concluded between the MEC and the developer/IA.</li> </ul>	
		<ul style="list-style-type: none"> <li>▪ The process of beneficiary administration is undertaken through the relevant database verification.</li> </ul>	
		<p><b>A certificate confirming the final beneficiary list must be issued by KZN Subsidy Administration Section. They must confirm the following:</b></p> <ul style="list-style-type: none"> <li>▪ That all beneficiaries have been captured in the National Housing Database or HSS Report.</li> <li>▪ That beneficiary detail on conveyancer's certificate matches the entries on the Housing Subsidy System.</li> <li>▪ That the actual subsidy mix is in accordance with the project agreement and corrections have been made where necessary.</li> </ul>	



CATEGORIES	PROJECT STAGES		
	STAGE 1 URBAN & RURAL PLANNING CLOSE OUT	STAGE 2 URBAN SERVICES CLOSE OUT	STAGE 3 URBAN STAGE 2 RURAL TOP-STRUCTURE CLOSE OUT
	<i>*The following responsibilities must be undertaken or overseen by the relevant responsible Planner of the project</i>	<i>*The following responsibilities must be undertaken or overseen by the relevant responsible Project Monitor of the project</i>	<i>*The following responsibilities must be undertaken or overseen by the relevant responsible Project Monitor of the project</i>
<b>FINANCIAL</b>	<ul style="list-style-type: none"> <li>The planner must check and certify that the actual payment tallies with the subsidy quantum applicable to Stage 1 activities undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>The project monitor must check and certify that the actual payment tallies with the subsidy quantum applicable to Stage 2 activities undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>The project monitor must check and certify that the actual payment tallies with the subsidy quantum applicable to Stage 3 activities undertaken.</li> </ul>
	<ul style="list-style-type: none"> <li>The Planner must request a financial close out from the Director: Finance.</li> </ul>	<ul style="list-style-type: none"> <li>The Monitor must request a financial close out from the Director: Finance.</li> </ul>	<ul style="list-style-type: none"> <li>The Monitor must request a financial close out from the Director: Finance.</li> </ul>
	<ul style="list-style-type: none"> <li>Close out requests from IP must be accompanied by copies of all approvals alignments/realignments and any Memoranda of Agreement.</li> </ul>	<ul style="list-style-type: none"> <li>Close out requests from SHS must be accompanied by copies of all approvals alignments/realignments and any Memoranda of Agreement.</li> </ul>	<ul style="list-style-type: none"> <li>Close out requests from SHS must be accompanied by copies of all approvals alignments/realignments and any Memoranda of Agreement.</li> </ul>
	<ul style="list-style-type: none"> <li>The Planner must provide all relevant certificates indicating that the project stage has been completed without any outstanding claims.</li> </ul>	<ul style="list-style-type: none"> <li>The Monitor must provide all relevant certificates indicating that the project stage has been completed without any outstanding claims.</li> </ul>	<ul style="list-style-type: none"> <li>The Monitor must provide all relevant certificates indicating that the project stage has been completed without any outstanding claims.</li> </ul>
	<ul style="list-style-type: none"> <li>Finance will undertake a reconciliation of financial statements reflecting funds that have been transferred against funds that have been expended. <b>This must include all alignments and inflationary adjustments.</b></li> </ul>	<ul style="list-style-type: none"> <li>Finance will undertake a reconciliation of financial statements reflecting funds that have been transferred against funds that have been expended. <b>This must include all alignments and inflationary adjustments.</b></li> </ul>	<ul style="list-style-type: none"> <li>Finance will undertake a reconciliation of financial statements reflecting funds that have been transferred against funds that have been expended. <b>This must include all alignments and inflationary adjustments.</b></li> </ul>

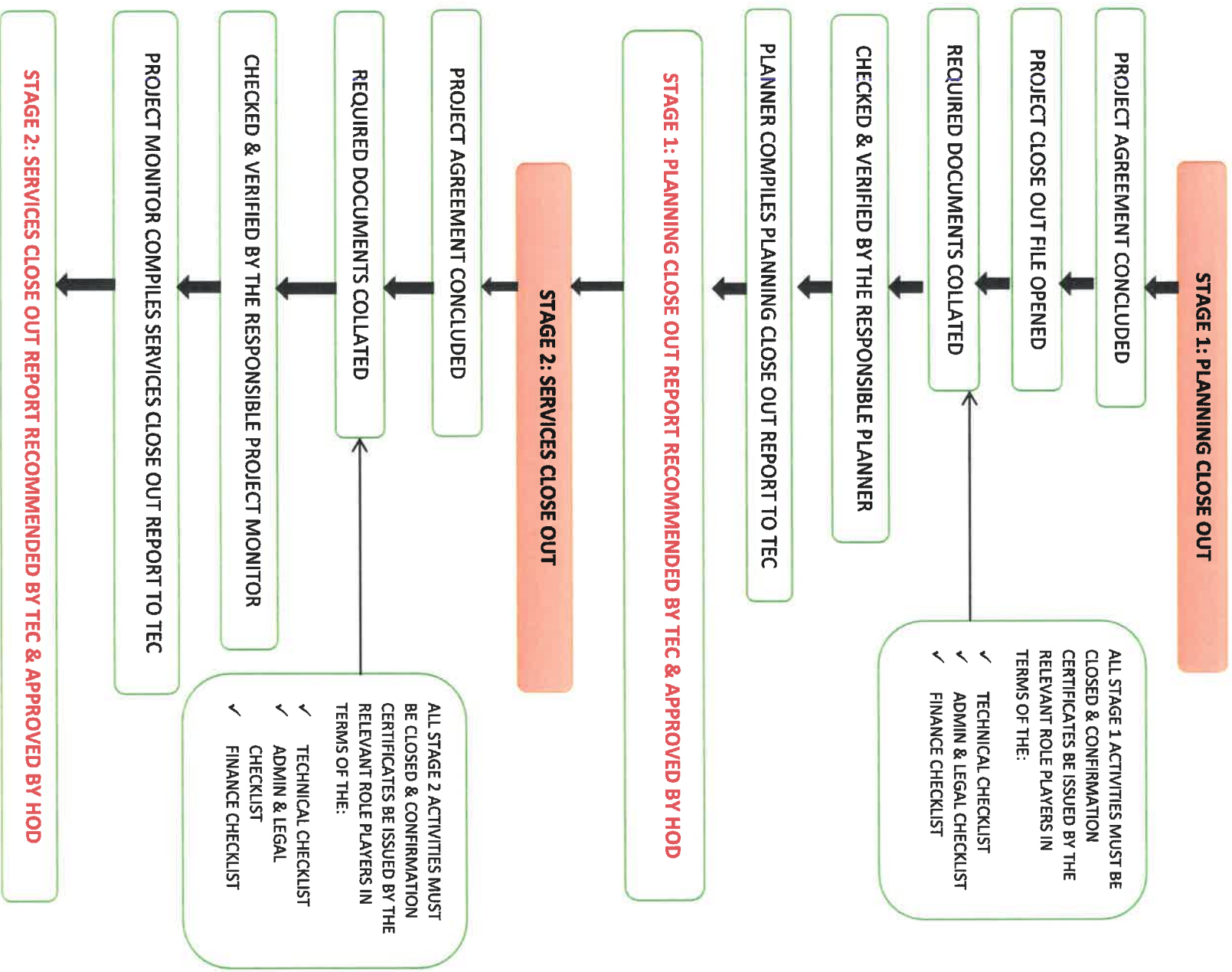
## **6. PROJECTS WITH UNOBTAINABLE INFORMATION**

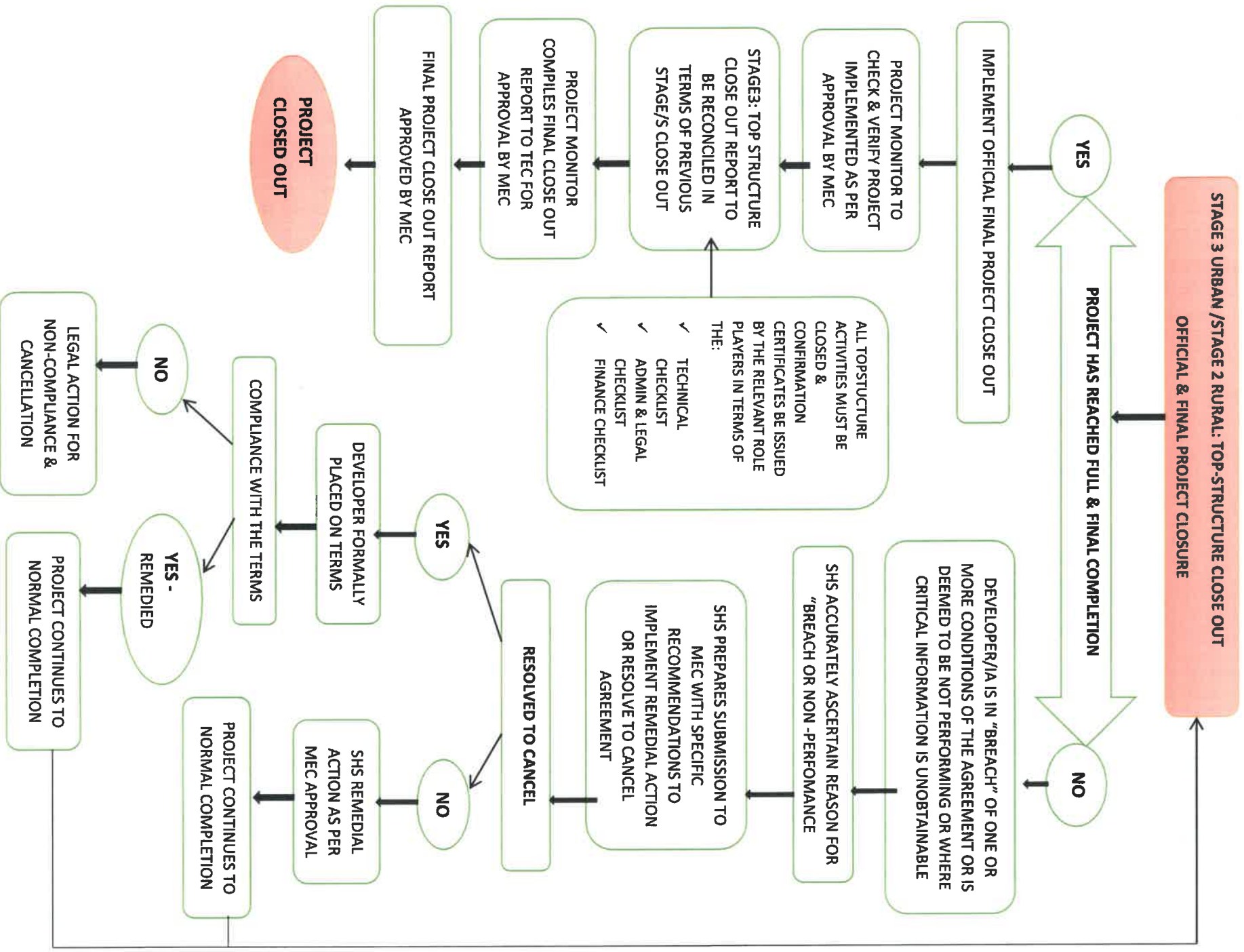
This includes among others, projects where critical information was unobtainable or where Implementing Agents abandoned before completion and are now untraceable. All projects categorized as above should be cancelled in terms of the contracts concluded with the IA's or contractors and thereafter the Department may proceed in closing out the projects.

## **7. INSTITUTING A LEGAL ACTION**

Regions must actively engage in correspondence with the Developer with the view to establish accurate and detailed reasons for non-performance. In cases where regions are of the opinion that based on the information derived, the developer/implementing agent is either in breach or is clearly guilty of non-performance, must prepare a comprehensive submission to the MEC. The submission should make recommendations for cancellation or remedy with a specific methodology to achieve a "least cost, least risk" solution to the Department. Following a thorough investigation, the Department (MEC) may institute procedures of cancellation.

FLOW DIAGRAM ON THE REVISED PROCEDURE FOR THE CLOSING OUT OF PROJECTS





CHECKLIST OF PROJECT CLOSE-OUT				
STAGE 1: PLANNING CLOSE OUT [URBAN & RURAL]				
DESCRIPTION	RECEIVED		RESPONSIBILITY	COMMENTS
	Yes	No		
<b>TECHNICAL</b>				
<b>Risk Assessment Reports</b>			<b>Integrated Planning Implementing Agent</b>	
1. Land Legal Investigation				
2. Social Compact Report.				
3. Environmental Report.				
4. Geotech Report.				
5. Town planning Report.				
6. Bulks- certificate confirming approved funding signed by relevant authorities.				
7. Town planning Layout Plan				
8. GIS Certificate				
<b>ADMINISTRATIVE &amp; LEGAL</b>				
1. Approved submission by the MEC.			<b>Integrated Planning Contracts</b>	
2. Concluded project agreement.				
<b>FINANCE</b>				
1. Reconciliation of financial statement with actual payment.			<b>Finance Integrated Planning Contracts</b>	

<b>STAGE 2: SERVICES CLOSE OUT [URBAN]</b>				
<b>DESCRIPTION</b>	<b>RECEIVED</b>		<b>RESPONSIBILITY</b>	<b>COMMENTS</b>
	<b>Yes</b>	<b>No</b>		
<b>TECHNICAL</b>				
1. General Plan.			<b>Sustainable Human Settlements Project Monitors</b>	
2. Services Designs				
3. Confirmation from Service Provider that bulk & link services are completed & operational.				
4. Engineer's certificate.				
5. Built drawings certificate.				
<b>ADMINISTRATIVE &amp; LEGAL</b>				
1. Verification of lot numbers with deeds database.			<b>Sustainable Human Settlements Subsidy Administration</b>	
2. HSS Report.				
3. Approved submission by MEC for alignments or inflationary adjustment.				
<b>FINANCE</b>				
1. Reconciliation of financial statement with actual payment.			<b>Finance Sustainable Human Settlements Project Monitors</b>	
2. Inclusive of alignments & inflationary adjustments.				

STAGE 3 [URBAN] STAGE 2 [RURAL] : TOP-STRUCTURE CLOSE OUT				
DESCRIPTION	RECEIVED		RESPONSIBILITY	COMMENTS
	Yes	No		
<b>TECHNICAL</b>				
1. Top structure completion certificate.			Sustainable Human Settlements Project Monitors Implementing Agents	
2. Inspection certificate				
3. Certificate by IA's confirming compliance with Building contracts.				
<b>ADMINISTRATIVE &amp; LEGAL</b>				
1. Approved submission by MEC for alignments or inflationary adjustments.			Sustainable Human Settlements Project Monitors Implementing Agents	
2. Handover certificates from contractors.				
3. Certificate from Developer/IA's confirming hand over of top structures				
4. Happy Letters.				
<b>FINANCE</b>				
1. Reconciliation of financial statement with actual payment.			Finance Sustainable Human Settlements Project Monitors	
2. Close-out request with copies of approvals /alignments /realignments /inflationary alignments & MOA.				
3. Relevant technical ,administrative and legal certificates				

