No.0473 - 2023: Fifth Session, Sixth Legislature

**GAUTENG PROVINCIAL LEGISLATURE**

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**ANNOUNCEMENTS,**

**TABLINGS AND**

**COMMITTEE REPORTS**

**========================**

Tuesday, 05 December 2023

# **ANNOUNCEMENTS**

none

# **TABLINGS**

none

**COMMITTEE REPORTS**

**1. The Chairperson of the Standing Committee on Public Accounts, Hon. S Khanyile, tabled the Committee’s Oversight Report on the Report of the Auditor-General of South Africa to the Gauteng Provincial Legislature on Financial Statements of the Department of Health and Wellness for year ended 31 March 2023, as attached:**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS OVERSIGHT REPORT ON THE REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA TO THE GAUTENG PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF GAUTENG DEPARTMENT OF HEALTH FOR THE YEAR ENDED 31 MARCH 2023**

**30 NOVEMBER 2023**

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**Acronyms**

AGSA Auditor-General of South Africa

AOPO Audit of Predetermined Objectives

BBBEE Broad-Based Black Economic Empowerment

CFO Chief Financial Officer

CHC Community Health Centre

DBAC Department Bid Adjudication Committee

DMBE Data Management Baseline Evaluation

FMPPI Framework for Managing Programme Performance Information

GPL Gauteng Provincial Legislature

GDoH& W Gauteng Department of Health and Wellness

GDID Gauteng Department of Infrastructure Development

GPT Gauteng Provincial Treasury

HIS Health Information System

HIE Health Information Exchange Layer

HR Human Resource

IVS Identification Verification System

IPSIC Internal Patient Safety Incident Committee

ICU Intensive Care Unit

ICRM Ideal Clinic Realisation and Maintenance programme

MEC Member of Executive Council

M&E Monitoring and Evaluation

MTEF Medium Term Expenditure Framework

MPAC Municipal Public Accounts Committees

MPL Member of Provincial Legislature

NHLS National Health Laboratory Services

PAAA Public Audit Amendment Act

PACS Picture Archiving and Communication System

PFMA Public Finance Management Act

PHC Primary Health Care

POE Portfolio of Evidence

PSC Public Service Commission

PSMLAC Patient Safety and Medico- Legal Advisory Committee

RAF Road Accident Fund

RSA Republic of South Africa

RFT Request for Tender

SCM Supply Chain Management

SOP Standard Operating Procedures

SAQA South African Qualifications Authority

SAICA South African Institute of Chartered Accountants

SCOA Standard Chartered of Accounts

SIU Special Investigative Unit

TR Treasury Regulations

VMMC Voluntary Medical Male Circumcision

1. **INTRODUCTION**

The Standing Committee on Public Accounts (SCOPA) has examined the Report of the Auditor-General of South Africa (AGSA) to the Gauteng Provincial Legislature (GPL) on the financial statements of Vote 4: Gauteng Department of Health (GDoH)for the year ended 31 March 2023. This was done as per GPL Rule 178 (2).

The function of SCOPA is to examine the financial statements of the Legislature, all executive organs of the province and other provincial organs of state, including any reports issued by the AGSA on the affairs of GPL, Office of Premier (OoP) and the Departments & Entities of Gauteng Provincial Government (GPG). SCOPA is required to do this on behalf of the Legislature, to ensure accountable utilization of resources and prudent financial management, and to make recommendations to the Legislature.

In the process of examining the financial statements and reports of an organ of state, SCOPA must ensure that they comply with of the Constitution of RSA, the Public Financial Management Act, and the requirements of the Public Audit Act No 5 of 2018. SCOPA must also consider the previous statements and reports of such an organ and report on the degree to which shortcomings have been rectified as required by GPL Rule 178 (3).

1. **PROCESS FOLLOWED**

The Report of the AGSA on the financial statements of Vote 4: Gauteng Department of Health for the year ended 31 March 2023, was tabled together with its 2022/23 Annual Report on 31 August 2023. This was done in terms of Sections 188(1) and (2) of the Constitution of the Republic of South Africa, (Act No. 108 of 1996), read with Sections 4, 20, and 21 of the Public Audit Act No 5 of 2018.

The report was referred by the Speaker to SCOPA on 31 August 2023, for consideration, as per Rule 149 read with Rule 233 of the Standing Rules of the GPL.

On Thursday, 19 October 2023, the Committee was briefed by the Auditor-General of South Africa on the audit outcome of Gauteng Department of Health

The Committee analysed the report and produced preliminary questions which were sent to the Gauteng Department of Health for responses by 26 October 2023.

In the process of SCOPA considering the reports of the AGSA, the following reports were received from the Stakeholders of the Committee on 19 October 2023:

* The report by the Office of the Premier on Gauteng Forensic Unit report on progress made on special focus cases and investigations referred by Departments;
* The report by the MEC for Finance on the Assessment of consolidated AFS and consolidated Audit Outcomes;
* The report by the Office of the Public Service Commission in Gauteng on GPG Departments Public Administration Practices; and
* The report by the Gauteng Office of the Public Protector on Investigations related to Gauteng for the period 2022/23 and outstanding for prior years.

In examining the report and responses by the Gauteng Department of Health (GDOH),the Committee resolved to conduct a public hearing with the Department, which was held on 24 November 2023.

On Friday, 30 November 2023, the Standing Committee on Public Accounts (SCOPA) considered and adopted its Oversight Report on the report of the Auditor-General of South Africa for the Gauteng Department of Health & Wellness (GDOH), for the year ended 31 March 2023.

1. **FINDINGS BY THE AGSA ON THE REPORT**
   1. **Audit Opinion**

The Auditor-General of South Africa issued an unqualified audit outcome on the annual financial statements and findings on compliance with laws and regulations.

This is a stagnation in audit compared to that which it received in the last financial year (2021/22) as it remains unchanged from the 2019/20 FY audit findings, and an unchanged audit opinion from that received in the 2018/19 financial year.

* 1. **Emphasis of Matters**

The emphasis of matters was raised on the following:

* Restatement of corresponding figures
* Material uncertainties
* Material losses - accrued departmental revenue
* Material impairments
* Underspending of the vote
* Payables that exceeded voted funds to be surrendered
  1. **Audit findings**

There were however material findings or significant deficiencies raised on the following, which will be discussed in detail in this report.

* Audit of compliance with legislation
* Audit of internal controls
* Other reports: investigations

1. **COMMITTEE FINDINGS AND CONCLUSIONS ON THE FINDINGS BY AGSA**

As reported earlier, the Committee engaged the Gauteng Department of Health & Wellness (GDOH) through preliminary questions that were generated during the analysis of the report of the Auditor-General of South Africa. The Committee has analysed the responses by the GDOH and has determined as indicated in this section areas of findings.

* 1. **RESTATEMENT OF CORRESPONDING FIGURES** 
     1. **Finding by the AGSA**

The AGSA reported that the corresponding figures for 31 March 2022 were restated due to errors in the financial statements of the department at, and for the year ended, 31 March 2023.

* + 1. **Committee findings**

The Committee noted that the Department restated the balances on contingent liabilities, immovable assets, and intangible assets.

Contingent liabilities: the department removed letters of demand that were previously included as part of the contingent liabilities. The Department is engaging the Office of the State Attorney to verify the contingent liabilities register.

Immovable assets and intangible assets: the department corrected the accounting classification of projects that were included as capital but were in effect maintenance projects. Monthly reconciliations are being performed to prevent recurrence.

* 1. **MATERIAL UNCERTAINTIES**
     1. **Finding by the AGSA**

The AGSA reported that the Department is the defendant in various lawsuits amounting to R1,349,122,000 in the 2022/23 Financial Year and that the ultimate outcome of the matters cannot presently be determined and no provision for any liability that may result was made in the financial statements.

The Committee also notes that this finding is recurring over at least the past five financial years.

* + 1. **Committee findings**

The Committee noted that this figure is with regards to 131 Medico-legal claims brought against the Department in the 2022/2023 F/Y, amounting to R1 281 351 324.00 (One Billion, Two hundred and Eighty-One Million, Three hundred and Fifty-One Thousand, Three hundred and Twenty-Four Rand).

**Breakdown of medico-legal claims:**

|  |  |  |
| --- | --- | --- |
| **Typology** | **Number of claims** | **Value of claims** |
| Obstetrics and gynaecology | 65 | R857 613 178.00 |
| Surgical | 43 | 251 551 400.00 |
| Nursing | 14 | 92 822 600.00 |
| Eye operation | 1 | 39 000 000.00 |
| Abdominal peritonitis | 5 | 23 079 901.00 |
| Incorrect diagnose | 1 | 9 001 000.00 |
| Orthopaedics | 1 | 4 783 245.00 |
| Cerebal Palsy | 1 | 3500 000.00 |
| Total | 131 | 1 281 351 324.00 |

**Top 5 hospital b claim amount:**

|  |  |  |
| --- | --- | --- |
| **Locality/ Hospital/Clinic** | **Number of claims** | **Value of claims** |
| Chris Hani Baragwanath Hospital | 26 | R214 171 161.00 |
| Sebokeng Hospital | 8 | R166 707 913.00 |
| Thelle Mogoerane Hospital | 5 | R81 381 000.00 |
| Pholosong Hospital | 2 | R61 150 000.00 |
| Tambo Memorial hospital | 8 | R52 015 400.00 |

The Committee further notes the following plan put in place by the Department

to minimize contingent liabilities:

* Implementation of Rule 41A (Mediation);
* Intervention from Clinical Care/ Clinical Services;
* Pleading of the Public Health Care Defence; and
* Application of Rule 37(B) (Administrative Archiving).
  1. **MATERIAL LOSSES**
     1. **Finding by the AGSA**

The AGSA reported that material losses of R3 088 243 00 were incurred as a result of a write-off of irrecoverable accrued departmental revenue.

* + 1. **Committee findings**

The Committee noted that the prescribed irrecoverable patient fees debt has been written off as a result of the following reasons listed below:

* Patient fees debt that is more than R500 and more than three years in accordance with Prescription Act No. 68 of 1969 as amended. The debt is prescribed or expires after three years if it is not recoverable;
* Patient fees debt that is less than R500 and is more than 90 days is not followed up because is uneconomical in accordance with the Department’s Circular number 27 of 2020; and
* Medical Scheme patient fees debt that is more than 120 days becomes stale and irrecoverable in accordance with Medical Scheme Act No. 131 of 1998.
  1. **MATERIAL IMPAIRMENTS**

**4.4.1 Finding by the AGSA**

The AGSA reported that material losses of R1 862 272 000 were incurred as a result of impairment of accrued departmental revenue.

**4.4.2 Committee findings**

The Committee note that the significant amount for impairment relates to Road Accident Fund (41,52% of total debt) and foreign patients (44% of the total debt).

Road Accident Fund (RAF) rejects lots of claims**.** RAF has issued communique dated 29 June 2021 which stipulate that, the following document should be submitted for each claim lodged:

* Officer’s Accident Report (OAR) – it’s a risk as not all passengers report the accident;
* Witness statements (not internal) – it is a challenge to get the witness statements; and
* Foreign Patients are not providing reliable contact information which make it difficult for tracing.

The Committee further notes the following corrective measures put in place by the Department:

* Timeous discharge and billing of patients by all hospitals;
* Utilising Revenue Collecting Agencies for the submission of claims to external funders;
* Aggressive debt collection – Sending Confirmation letters to all departments and provinces; Claims are submitted monthly to debtors; holding meetings with funders.
* Enter MOU with Provinces;
* Focusing on revenue collection from RAF and Compensation Fund;
* Focusing on reducing claims rejections; and
* Patient Information Verification System at the frontline to assist with correct classification.
  1. **UNDERSPENDING OF THE VOTE**

**4.5.1 Finding by the AGSA**

The AGSA reported that the department materially underspent the budget by   
R1 227 988 000 on programme 2: District health services.

**4.5.2 Committee findings**

The Standing Committee noted that the underspending was mainly due to the following:

* Underspending incurred due to late receipt of invoices and claims that are subjected to a verification process;
* There were shortages of both male and female condoms, as the new contract only started in February 2022 and suppliers did not have any stock and only started delivering partial quantities in August 2022;
* The GP contract for VMMC ended in June 2022 and only partners were conducting services in mandated districts; and
* There was a reduction in the price of ART, from R120.00 to R80.00.

The Committee further notes the following corrective measures put in place by the Department:

* Misallocations to be monitored daily to ensure expenditure alignment with the budget;
* The department applied for and received preliminary approval on the rollover of funds;
* Historical data (previous year’s performance) will be analysed to understand the demand for condoms in the target population. This can help in estimating the required quantity and distribution points;
* Collaboration with NGOs: The Province will increase partnership with non-governmental organizations (NGOs) and community-based organizations that distribute condoms to increase uptake and a need to procure more condoms;
* Engage with the community to raise awareness about the importance of condom use during township, informal settlements, and hostels (TISH) campaigns. This will help increase demand and ensure that condoms are readily available.
* Implement all available Voluntary Medical Male Circumcision (VMMC) modalities, such as RT35 contract, which is a contract that will be providing circumcision in fixed department of health facilities;
* The province is in the process of appointing district VMMC teams to ensure continuity of services when funded service providers run out of funds;
* Conduct public awareness (TISH)campaigns to educate communities about the benefits of VMMC in reducing the risk of HIV transmission;
* Ensure healthcare providers are well-informed about the importance of VMMC and its impact on public health; and
* Regularly review budget performance and identify areas where overspending or underspending occurs monthly by compiling variance reports.
  1. **PAYABLES THAT EXCEEDED VOTED FUNDS TO BE SURRENDERED**
     1. **Finding by the AGSA**

The AGSA reported that payables of R4 204 934 000 exceeded the payment term of 30 days, as required by treasury regulation 8.2.3. This amount, in turn, exceeded the R2 711 816 000 of voted funds to be surrendered by R1 493 118 000 as per the statement of financial performance. Therefore, the amount of R1 493 118 000 would have constituted an authorised expenditure had the amounts due been paid in time.

* + 1. **Committee Findings**

The Committee noted the following details for payables of   
R4 204 934 000 which has exceeded the payment term of 30 days, as required by Treasury Regulation 8.2.3.

* Late submission of invoices, as suppliers were trying to master the usage of the Electronic Invoice Submission (EIS) process;
* Late approval of payments by Institutions (Work Cycles, creation of Purchase Orders & Goods Received Vouchers);
* Cash constraints from limited monthly cash allocations due to payment of unbudgeted medico-legal claims; and
* Dispute resolutions delaying capturing of “Goods Received Vouchers” (GRV), as no payment can be processed until GRV is processed.

The Department have established the following control measure in place:

* An improvement has been realized from April 2023; this has resulted in 70% of payments made within 30 Days. The plan is to process a 70:30 split of monthly cash allocation; where 70% of the cash allocation is to consider supplier payments within 30 days of processed invoices and the remaining 30% is a provision made towards payment of invoices processed outside 30 days.

* 1. **ANNUAL FINANCIAL STATEMENTS**
     1. **Finding by the AGSA**

The AGSA reported that the financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 40(1)(a) of the PFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified opinion.

* + 1. **Committee Findings**

The Department reported that there were material misstatements on the Annual Financial Statements which were as a result of the following items:

* Understatement of Contingent Liabilities. The State Attorney will be engaged for the third-party verifications of the contingent liabilities.
* Completeness and existence of the departmental assets resulting in the misstatement of the financial statement. The department will undertake asset verification in all its institutions to ensure the completeness and accuracy of the asset register.
  1. **PERFORMANCE AUDIT (PRE-DETERMINED OBJECTIVES)**
     1. **Finding by the AGSA**

The AGSA reported that they were unable to obtain sufficient appropriate audit: District Health Services and Provincial Hospital services. According to the AGSA, this was due to the lack of accurate and complete records.

AGSA further reports that they were unable to confirm the reported achievements by alternative means. Consequently, they were unable to determine whether any adjustments were required to the reported achievements in the annual performance report.

* + 1. **Committee findings**

The Committee noted that the Department has established a team to do weekly validation visits to sampled institutions in order to verify that the data management processes and controls for reporting on performance information, at the institution level, are in place. Through these data validation visits the Department ensures that reported performance information is validated against the source. Mock retrievals of records are conducted to test completeness including assessment of data accuracy. Feedback is provided upon exit followed by written feedback reports to the institutions concerned.

The following corrective measures have been put in place;

* The Department has initiated and is implementing quarterly review sessions, managed at an Executive Management level, to assess the performance of all business units and institutions against the Annual Performance targets; and
* These reviews allow the accounting officer to assess the effectiveness of the validation processes and through the quarterly reviews the importance and support for the establishment and maintenance of controls and effective records management are advocated.
  1. **PROCUREMENT AND CONTRACT MANAGEMENT**
     1. **Finding by the AGSA**

The AGSA reported that:

* Some of the goods and services of a transaction value above R1 000 000 were procured without inviting competitive bids, as required by Treasury Regulation 16A6.1 and paragraph 3.3.1 of NTI 02 of 2021/22. Similar non-compliance was also reported in the prior year;
* Procurement by other means was not provided for in the department’s SCM policy or did not cover at least the minimum requirements as required by PFMA Instruction Note 3 of 2021/22 paragraphs 4.3 and 4.4;
* Some of the deviations and procurement by other means are not provided for in the SCM policy and are not in line with the circumstances provided for in the SCM policy under which the procurement can occur, as required by PFMA instruction note no. 3 of 2021/22 paragraphs 4.3 and 4.4(c);
* Some of the deviation processes followed in respect of identifying prospective suppliers are not in line with the processes prescribed in the institution’s the SCM policy, as required by PFMA instruction note no. 3 of 2021/22 paragraph 4.4(d);
* Invitations to tender for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 Procurement Regulation 8(2);
* Commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content in accordance with paragraph 3.4 of National Treasury Instruction Note 4 of 2015/2016;
* Commodities designated for local content and production were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 Preferential Procurement Regulation 8(5);
* Some of the quotations were not awarded in an economical manner and the prices of the goods or services were not reasonable, as required by PFMA 38(1)(b) and PFMA 45(b);
* Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of PPPFA and Preferential Procurement Regulation 2017;
* Some of the goods and services were procured without obtaining at least three written price quotations in accordance with Treasury Regulation 16A6.1, paragraph 3.3.1 of Practice Note 8 of 2007/08 and paragraph 3.2.1 of SCM Instruction Note 2 of 2021/22; and
* Some of the goods and services of a transaction value of R2 000 but not exceeding R1 000 000 were procured without following the quotation process and deviations were not approved by the accounting officer and it was practical to follow the quotation process, as required by Treasury Regulation 16A6.1 and paragraph 3.2.1 of NTI 02 of 2021/22 and TR 16A6.4.
  + 1. **Committee findings**

The Committee noted the following:

* The Department does not have contracts in place for all commodities, therefore health institutions procure re-occurring items through the Request for Quotation (RFQ) process. The total value of items of a similar nature procured through the RFQ process exceeded the threshold of R1 000 000 (million). The Department is in the process of establishing contracts for all items procured on a repetitive nature;
* Procurement through an Ex Post Facto process, where goods and services are procured without following SCM prescripts are not included in the SCM Policy, as this process is contrary to SCM prescripts and results in irregular expenditure. A training was conducted during October 2023 to supply chain and non-supply chain practitioners on supply chain processes and procedures. Training schedule is also as and when requests are made by institutions or arranged as a need by the Human Resource Development unit; and
* Supply Chain Management is currently in the process of reviewing the supply chain management policy to include section 4, deviation from normal bidding process and 4.4(d) processes to be followed in respect of identifying prospective suppliers for, recording and approval of procurement by other means; Training will be conducted to supply chain management and non-supply chain management practitioners to follow the correct procurement processes.
  1. **EXPENDITURE MANAGEMENT**
     1. **IRREGULAR EXPENDITURE**

**4.10.1.1 Findings by the AGSA**

The AGSA reported that effective and appropriate steps were not taken to prevent irregular expenditure, as disclosed in note 24 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1.

The majority of the irregular expenditure disclosed in the financial statements was caused by the department’s failure to invite competitive bids.

**4.10.1.2. Committee Findings**

The Committee noted that the Department does not have contracts in place for all commodities, therefore a number of contracts have been extended on a month-to-month basis resulting in irregular expenditure.

The Committee noted that the following corrective measures have been put in place;

* The Department is in the process of establishing contracts where contracts have expired and are extended on a month-to-month basis;
* The department is currently monitoring the procurement plan and ensuring that contracts are put in place to reduce irregular expenditure; and
* The anticipated date for completing the number of projects in the procurement plan is the end of the current financial year.

**4.10.2.1. FRUITLESS AND WASTEFUL EXPENDITURE**

The AGSA reported that effective steps were not taken to prevent fruitless and wasteful expenditure, as disclosed in note 24 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the fruitless and wasteful expenditure was caused by interest on late settlement of invoices.

**4.10.2.2. Findings by the Committee**

The Committee noted that the Department was and continues to be faced with cash constraints as a result of cash being deviated towards payment of medico-legal claims. However, the following measures are implemented and will be monitored monthly for compliance:

* Stringent contract management to prevent overruns and ensure value for money.
* Training and Awareness: financial management best practices and the importance of avoiding wasteful expenditure.

**4.10.3.1. 30 DAYS PAYMENT**

**4.10.3.1.1. Findings by the AGSA**

The AGSA reported that payments were not made within 30 days or an agreed period after receipt of an invoice, as required by treasury regulation 8.2.3.

**4.10.3.2. Findings by the Committee**

The Committee noted the following:

* Monthly cash availability constraints as the captured invoices do not match the cash allocated; and
* The cash constraints are exacerbated by bank attachments and payment of court orders towards medico-legal claims which are not budgeted for.
  1. **CONSEQUENCE MANAGEMENT**
     1. **Finding by AGSA**

The AGSA reported that Disciplinary steps were not taken against the officials who had permitted irregular expenditure, as required by section 38(1)(h)(iii) of the PFMA.

* + 1. **Committee findings**

The Committee noted that the department reports irregular expenditure to Gauteng Provincial Treasury subsequent to the approval by the Head of Department, a determination test is then conducted through Internal Control to conduct an investigation.

* 1. **REVENUE MANAGEMENT**

**4.12.1 Finding by the AGSA**

The AGSA reported that they were unable to obtain sufficient appropriate audit evidence that effective and appropriate steps were taken to collect all money due, as required by section 38(1)(c)(i) of the PFMA.

AGSA further report that they were unable to obtain sufficient appropriate audit evidence that reasonable steps were taken to recover debts before writing them off, as required by treasury regulation 11.4.1.

**4.12.2 Committee findings**

The Standing Committee noted that the department implemented the Health Information System at the 37 hospitals with Patient Administration and billing Module.

The Department developed and implemented a 10-point plan for revenue enhancement which focused among others on aggressive Collection of debts from funders, departments, and provinces.

The following has been achieved:

* Meeting held with departments and Provinces owing GDOH to date; and
* The following payments have been received:
* Accident Fund: R37 million,
* Self-paying patients R130 000 000(million).
* Medical aid and other Funders: R26 000 000(million).
* Department of Correctional Services: R46 000 000(million).
* Department of Justice: R27 000 000(million)
* SAPS: R21 000 000(million)
* North West Province R13 000 000(million)
* Department of Defence R706 000
* Compensation Fund R 915 127.00
* Concluded Memorandum of Understanding (MOU) with Mpumalanga Province.
  1. **TRANSFER OF FUNDS**

**4.13.1 Finding by the AGSA**

The AGSA reported that they were unable to obtain sufficient appropriate audit evidence that appropriate measures were maintained to ensure that transfers and subsidies to entities were applied for their intended purposes, as required by treasury regulation 8.4.1.

* 1. **ASSET MANAGEMENT**
     1. **Finding by the AGSA**

The AGSA reported that Proper control systems were not in place at the department to ensure the safeguarding of assets, as required by treasury regulation 10.1.1(a).

* + 1. **Committee findings**

The Committee noted that the Department’s asset management processes were impacted by the COVID-19 pandemic, which necessitated a speedy movement of movable assets between Hospitals, Clinics, and other Health facilities where the asset administrative process could not be executed due to the emergency and limitation on administration personnel to barcode and record the movement of assets into the Asset Register. The Asset Management is currently conducting a full asset verification exercise in all Institutions, which is aimed to ensure that all assets are accounted for.

The Decentralised asset management system has brought a significant risk in the asset managements, where procurement of movable Assets is not informed by the Asset Management Strategy, this process is under review to develop an Asset Management Strategy which incorporate the Asset Demand and Procurement Plans.

Capacity constraints at Hospital levels is amongst the challenges that the department is facing. Asset Management process at Hospital needs a unique system to manage the constant movement of assets due to operation and emergency nature of the hospital. The Department is currently in process to review the Organisation Structure in an effort to respond to the gaps identified.

* 1. **INTERNAL CONTROLS DEFICIENCIES**
     1. **Findings by the AGSA**

The AGSA reported as follows,

* The Accounting Officer did not exercise adequate oversight of internal controls relating to procurement and contract management and the preparation of the annual financial statements and annual performance report. This resulted in non-compliance with key legislation and material findings on the annual financial statements and annual performance report.
* Senior management did not implement sufficient controls over the preparation of accurate and complete annual financial statements and annual performance report that are supported by reliable information. This resulted in material findings on the annual financial statements and the annual performance report. Furthermore, there was a lack of monitoring of controls to ensure compliance with laws and regulations, including procurement and contract management and expenditure management.
  + 1. **Committee findings**

The Committee noted that There are controls in place for the preparation of accurate financial statements. The statements are reviewed internally and by the Provincial Treasury. The officials responsible for the preparation of the financial statements also attends trainings provided by the Provincial Treasury. Strengthened control measures will be implemented on elements that affected the accuracy such as completeness and of assets and contingent liabilities.

The Committee further noted that the action plan has been developed and is monitored monthly to track progress.

* 1. **MATERIAL IRREGULARITIES**
     1. **Finding by AGSA**

The AGSA reported that the Department provided progress made on the material irregularities identified by the AGSA.

**4.16.2 Committee findings**

The Standing Committee noted that no new material irregularities were identified by the AGSA during the year under review and the following corrective actions have been taken to resolve the material irregularity in the prior years:

* The department embarked on a legislative drafting project in 2021 to draft the Gauteng medical litigation and mediation bill. The purpose of the bill is to provide a legislative mechanism for amongst others:
* Amending the facility admission forms to include a mandatory provision that when a serious adverse event takes place, the first option before litigation may commence should be mediation; and
* The provision of future medical treatment and related health care requirements at state facilities instead of paying lump sum to plaintiffs.
* The AGSA will follow up on the implementation of the committed actions during the next audit.
  1. **INVESTIGATIONS**

**4.17.1 Findings by the AGSA**

The AGSA reported that various investigations, based on the allegations of procurement irregularities, fraud, theft, and negligence dating back to prior periods, are being performed by the department. Some of these investigations had been finalised while others were still in progress at the date of this auditor’s report.

* + 1. **Committee finding**

The GDoH has provided the Committee with a summary of the investigations it has conducted in the 2022/23 financial year. This is in addition to the report that the Committee received from the Forensic Investigations Unit in the Office of the Premier.

1. **CULTURE SHIFT TO SUSTAIN AUDIT OUTCOMES AND SERVICE DELIVERY**

The Committees raises the following concerns with which the AGSA has also concurred:

* The Department does not exercise oversight and hold CEOs accountable for service delivery failures under their control through alignment of performance contracts to the key strategic priorities and planned targets of the department, implement standardised performance reporting processes, and monitor progress to detect areas of non-adherence to policies and procedures and take necessary corrective measures.
* The Department is not capacitating the SCM unit, exercising oversight over institutions' procurement processes, and holding CEOs accountable for non-adherence to applicable SCM policies procedures and legislation.
* As part of the sector audit, the focus should be on status of the implementation of the ideal clinic realisation and maintenance programme (ICRM) in the province and that the department is not conducting site inspections for the implementation of ideal clinics, as well as safety and security where it was noted that some maintenance and repairs were not done on time at the healthcare facilities visited.
* The issues relating to unavailability of essential medicines and basic medical supplies, repairs and maintenance are not done in a timely manner and buildings are not complying with safety regulations.
* The department need to address these issues as they have an impact on the successful implementation of National Health Insurance and the current approved departmental organisational structure dates back to 2006.
* The lack of formal workload indicator staffing needs analysis, coupled with the absence of a human resource plan to inform the ideal staffing structure of the department, restricted the department’s ability to obtain adequate funding for the creation and filling of posts to service patient needs adequately.
* Vetting of prospective applicants was not performed consistently, which exposed the department to risks of appointing individuals without the required skills, qualifications, and competencies.
* Several key vacancies existed during the period under review, which created instability within the department and compromised the overall internal control environment.
* The MEC should ensure effective coordination between GDID and GDoH through frequent engagements with the GDID MEC on the status of infrastructure projects, ensuring improved coordination between GDID and GDoH by identifying challenges and deficiencies as they arise to ensure that appropriate action is taken in a timeous manner
* The Department must ensure and monitor the development and timeous implementation of an action plans to address significant internal control deficiencies on financial reporting, performance reporting and compliance.

1. **COMMITTEE CONCERNS**
   1. The Committee is concerned that the Department restated the balances on contingent liabilities, immovable assets, and intangible assets.
   2. The Committee is concerned that although the lawsuits against the Department are decreasing better corrective measures should be put in place.
   3. The Committee is concerned that various experts were sought previously to provide independent and objective advice and to further testify in so far as is contained in their expert reports however the matter is still recurring.
   4. The Committee is concerned that prescribed irrecoverable patient fees debt has been written off.
   5. The Committee is concerned that departmental revenue has been significantly impaired.
   6. The Committee is concerned that regardless of assurances previously given by the Department, the matter of inadequate record-keeping still recurs.
   7. The Committee is concerned that there is a lack of proper IT systems in the Department.
   8. The Committee is concerned that the under-spending has a negative impact on service delivery and that the Department lacks proper budget monitoring systems.
   9. The Committee is concerned that the Department did not pay service providers within 30 days in contravention of the applicable legislation.
   10. The Committee is concerned that senior management did not adequately review annual financial statements.
   11. The Committee is concerned thatthe District Health Services and Provincial Hospital Services inability to provide full records that can be used to audit evidence is largely due to the manual processes and paper-based records that are maintained at health facility levels.
   12. The Committee is concerned by the lack of intervention plans to monitor non-compliance with the applicable treasury regulations.
   13. The Committee is concerned that, despite assurances by the Department that a plan of action had been put in place to avoid challenges relating to revenue management, the finding is still recurring.
   14. The Committee is concerned that management did not take reasonable steps to ensure that transfers and subsidies to entities were applied for their intended purposes, as required by treasury regulation 8.4.1.
2. **COMMITTEE RECOMMENDATIONS**
   1. That the Department must investigate alternative measures to address revenue impairment and submit the plan to the Committee by 30 April 2024.
   2. That the department must provide the Committee with a report detailing the effectiveness of the Litigation Reduction Plan by 30 April 2024.
   3. That the Department must provide the Committee with a progress report on the effectiveness of mechanisms and systems put in place to address findings in material loss by 31 January 2024 and thereafter every quarter continuing up until the end of June 2024.
   4. That the MEC must provide the Committee with a progress report about the electronic capturing of patient records by 31 January 2024 and thereafter continuing until the end of June 2024.
   5. That the department must provide the Committee with a report detailing the effectiveness of the measures put in place to minimize the restatement of corresponding figures by 30 April 2024.
   6. That the Department must continue to engage with the Office of the State Attorney to verify the contingent liabilities register, perform monthly reconciliations of immovable assets and intangible assets and provide a progress report to the Committee by 30 April 2024.
   7. That the MEC provides the Committee with a progress report detailing the effectiveness of measures put in place to curb the underspending by 31 January 2024 and thereafter every quarter continuing up until the end of June 2024. The effectiveness report should provide the following details:

* A detailed description of the measures;
* A detailed description of the implementation/enforcement plan of the measures; and
* Outcome of the application for the roll-over.
  1. That the MEC inserts the payment of suppliers within 30 days as a key performance indicator in the performance management criteria of the Accounting Officer and provides the Committee with a progress report by 30 April 2024 and thereafter every quarter continuing up until the end of June 2024.
  2. That the department must provide the Committee with a report detailing the impact of the management review of annual financial statements and the technical assistance by Gauteng Provincial Treasury by 30 April 2024.
  3. The Department must ensure that a correlation exists between the achievement of targets and the use of the budget to ensure achievements and delivery of services are aligned with the budget spent and provide the Committee with a progress report detailing the effectiveness of measures put in place to address weaknesses of pre-determined objectives by 30 April 2024.
  4. That the department must provide the Committee with a report detailing the effectiveness of the measures put in place to monitor compliance with the applicable treasury regulations to identify and prevent non-compliance by 30 April 2024.
  5. That the Department must submit its plan to investigate the irregular expenditure by 30 April 2024 and progress in the implementation of this plan continuing up until the end of June 2024.
  6. That the Department must provide the Committee with a progress report detailing the status of the investigation on Fruitless and wasteful expenditure and possible write-off by 30 April 2024 and continuing up until the end of June 2024.
  7. That the Department should enforce appropriate controls to ensure that invoices are paid within 30 days as required by Treasury Regulation 8.2.3. and provide the Committee with a progress report detailing the effectiveness of controls put in place to address the payment of service providers and cash flow management by 30 April 2024.
  8. That the Department take corrective action against officials who would be identified by the investigations on irregular expenditure and provide the Committee with a progress report by 30 April 2024 and continuing until finalisation thereof.
  9. That the Department provide the Committee with a progress report on the effectiveness of mechanisms and systems put in place to address findings in revenue management by 30 April 2024.
  10. That the Department provides the Committee with a progress report detailing the effectiveness of measures put in place to address transfers and subsidies to entities that were applied for their intended purposes by 30 April 2024.
  11. That the Department must provide the Committee with a progress report on the process to review the Organisational Structure by 31 January 2024 and a quarterly progress report continuing up until end of June 2024.
  12. That the Department provides the Committee with a progress report detailing the effectiveness of measures put in place to ensure adequate operations of the Department by the end of January 2024 and a quarterly progress report continuing up until end of June 2024.
  13. The Department must provide SCOPA with the quarterly progress report on its implementation of the recommendations of the Auditor-General of South Africa on the identified material irregularity, starting from 30 April 2024 and quarterly thereafter until June 2024.
  14. That the Department must provide the Committee with a progress report on the investigations it is conducting, detailing the status of each investigation by 30 April 2024, and quarterly progress until finalization thereof.
  15. That the Department should exercise effective oversight over CEOs at the institutions over the implementation of internal controls to improve the financial management, performance management, compliance with legislation and service delivery and provide the Committee with a report by 30 April 2024.
  16. That the department must ensure adequate oversight responsibility over delivery of capital projects and the implementation of the ideal clinic realisation and maintenance programme and provide the Committee with a report by 30 April 2024.
  17. That the Department must ensure that a correlation exists between the achievement of targets and the use of the budget to ensure achievements and delivery of services are aligned with budget spent and provide the Committee with a report by 30 April 2024.
  18. That the department must Implement consequence management against officials who have contravened the applicable laws and regulations and for poor performance and provide the Committee with a report by 30 April 2024.
  19. That the department must develop and implement a plan to improve the audit outcomes in the financial and performance management, as well as the status of compliance, thereby ensuring good governance and administration of public funds and provide the Committee with a report by 30 April 2024.
  20. That the department must provide the Committee with a list of all its key projects with a clear focus on impact on the citizens in the province during the 2023/24 financial year and provide the Committee with a report detailing the status of those key projects by 30 April 2024.
  21. That the department fill key vacancies that existed during the period under review, which created instability within the department and compromised the overall internal control environment and provide the Committee with a report by 30 April 2024.

1. **CONCLUSION**

In conclusion, the Committee managed to establish the issues that contributed to the Auditor-General of South Africa issuing an unqualified audit opinion on the financial statements of the Gauteng Department of Health and Wellness on issues raised under the emphasis of matters.

1. **ACKNOWLEDGEMENTS**

I would like to thank the following Members: MJ Kanyane; RJ Kekana; BP Mncube; MJ Modise; DP Malema; A De Lange; P Atkinson; AW Cilliers; AM Randall; and P Mdlankomo for their diligent deliberations during this process.

I would also like to express my appreciation to the MEC Nomantu Nkomo-Ralehoko and officials of GDOH; the Gauteng Business Unit Leader of the Office of Auditor-General South Africa (AGSA), Mr. Dumisani Cebekhulu and his team; Group Committee Co-ordinator, Monica Vaas for tabling the report; Senior Committee Co-ordinators, Simon Magolego, and Mompati Gaonnwe; Committee Co-ordinator, Catherine Thobejane; Committee Researchers, Bongi Dlamini and Lerato Mofokeng; Administrative Assistants, Sizakele Mthembu Media Officer, Pfano Bulasigobo; Senior Information Officer, Jacky Letsoalo; Legal & Procedural Advisor, Winnie Ngubane; Service Officer, Lithemba Simon, PPP Lerato Bodman and the Hansard Operator, Raksha Singh without whom this process would not have been successfully completed.

1. **ADOPTION OF THE REPORT**

After due deliberations, the Standing Committee on Public Accounts (SCOPA) unanimously adopted its report on the Report of the Auditor-General of South Africa to the Gauteng Provincial Legislature on the financial statements of Gauteng Department of Health for the year ended 31 March 2023.

In terms of Standing Rule 117 (2)(c) read together with 164, the Committee presents to this House the above-mentioned report for consideration and adoption.

**Mr Sochayile Khanyile (MPL)**

**Chairperson: Standing Committee on Public Accounts**