



AUDITOR - GENERAL  
SOUTH AFRICA

# Briefing to Health Portfolio Committee

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13 May 2020



## MISSION

“The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country’s democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.”



## VISION

“To be recognised by all our stakeholders as a relevant Supreme Audit Institution (SAI) that enhances public sector accountability.”

# Annual Performance Plan Review 2020-2021

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# ACCOUNTABILITY = PLAN + DO + CHECK + ACT



# Objectives of the APP review

- The interim review provides an early warning where concerns with regards to the measurability of the indicators and targets had been previously identified.
- The focus is on programmes that are directly linked to the mandate of the department, therefore the review was only performed on a selection of significant programmes
- The review does not entail the performance of detailed procedures where the underlying systems and supporting documentation is inspected to give assurance on the verifiability of indicators and targets.



# Scope of the review

## Measurability of indicators and targets

Indicators are well-defined



**Well-defined** = clear, unambiguous definition so that data will be collected consistently and will be easy to understand and use.

Indicators are verifiable



**Verifiable** = it must be possible to validate the processes and systems.

Targets are specific, measurable and time-bound.



**Specific** = the nature and the required level of performance can be clearly identified

**Measurable** = the required performance can be measured

**Time bound** = the time period or deadline for delivery is specified



# Scope of the review

## Procedures not performed

The Medium Terms Strategic Framework (MTSF) was not submitted with draft Annual Performance Plan (APP) as the process of preparing the document was still in progress.

Therefore, the following tests were not performed:

1. Relevancy of indicators to MTSF
2. Completeness of indicators to cover all MTSF outcomes



# Overview of key findings on the 2020-21 APP review

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# Overview of review performed on 2020-21 APP

## National Department of Health

Programme	Total no. of indicators included in APP	Indicator not Well defined	Indicator not Verifiable	Targets not Measurable
Programme 2: National Health Insurance	10	0	0	0
Programme 5: Hospital Systems	6	0	0	0
Programme 6: Health System Governance and Human Resources for Health	11	1*	1*	0

**\*Draft APP - to be corrected based on recommendations from the review**



# Findings related to the strategic plan 2020/21 to 2024/25

Audit finding*	Outcome Indicators impacted
<p>Misalignment of principles outlined in the Revised Framework for Strategic plans and annual performance plans</p> <p>The baselines indicated for some of the outcome indicators in the strategic plan were not clear and unambiguous.</p>	<ul style="list-style-type: none"> <li>• Number of provinces compliant with Emergency Medical Services Regulations</li> </ul>
<p>Differences were noted between the in outcome indicators in the strategic plan and indicator titles in the technical indicator descriptions in the strategic plan</p>	<ul style="list-style-type: none"> <li>• Contingent liability of current Medico-legal cases</li> <li>• Percentage of people requiring preventative chemotherapy for schistosomiasis reduced</li> <li>• National Health Research Strategy implemented and goals of the strategy achieved</li> </ul>
<p>Differences were noted between the source of data described in the TIDS of the strategic plan and those described in the APP.</p>	<ul style="list-style-type: none"> <li>• Number of public nursing colleges accredited and registered to offer quality basic and specialist nursing programmes</li> </ul>
<p>The target linked to the indicator is not measurable because the denominator was not specified in the calculation method.</p>	<ul style="list-style-type: none"> <li>• Percentage of blood alcohol tests completed within normative period of 90 days</li> </ul>



## Overview of entities review performed on 2020-21 APP

Entity	APP reviewed	Findings noted on usefulness	Recommendations affected prior tabling of APP at Parliament
Council for medical schemes (CMS)	Yes	Yes	Yes
Compensation for Occupational Disease (CCOD)	Yes	Yes	Yes
Office of Health Standards Compliance (OHSC)	Yes	No	N/A
South African Health Products Regulatory Authority (SAHPRA)	No	N/A	N/A
Medical Research Council (MRC)	No	N/A	N/A
National Health Laboratory Services (NHLS)	No	N/A	N/A



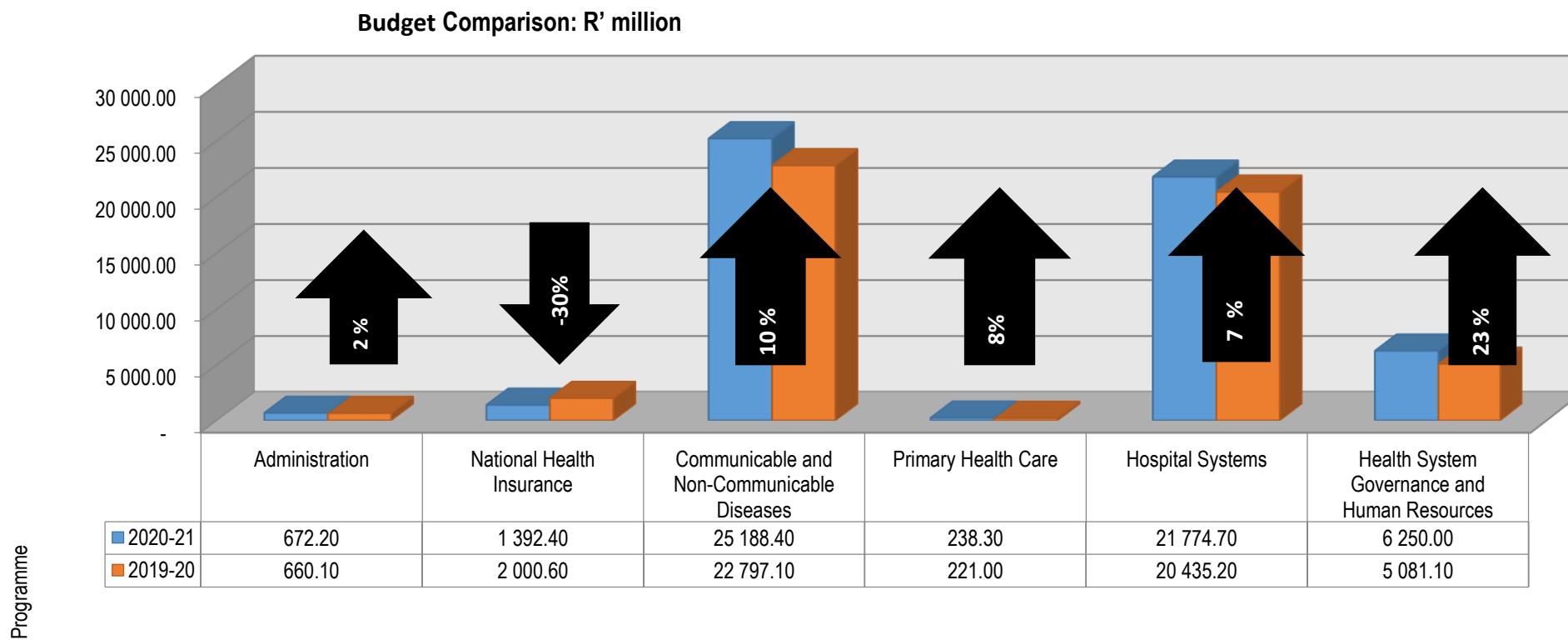
# Budget Analysis

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# Budget Analysis



% Budget increase



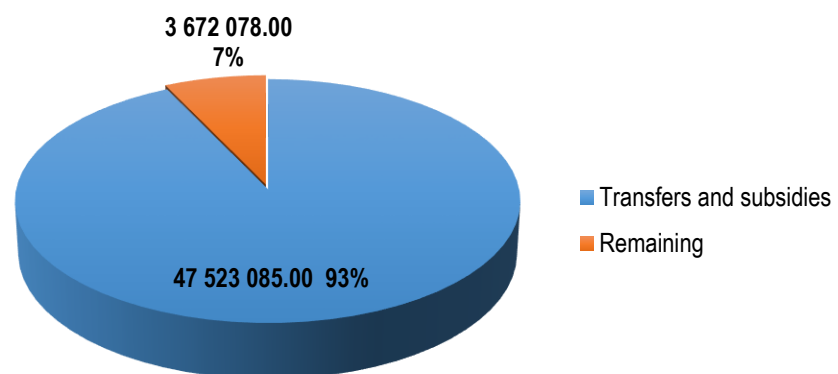
% Budget decrease



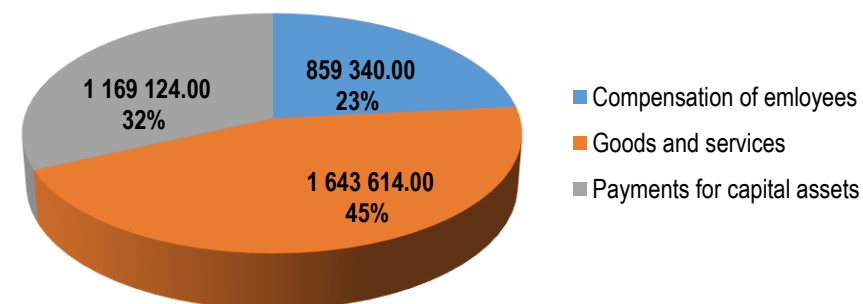
# Budget Analysis

## National Department of Health

### Total Budget –R'000



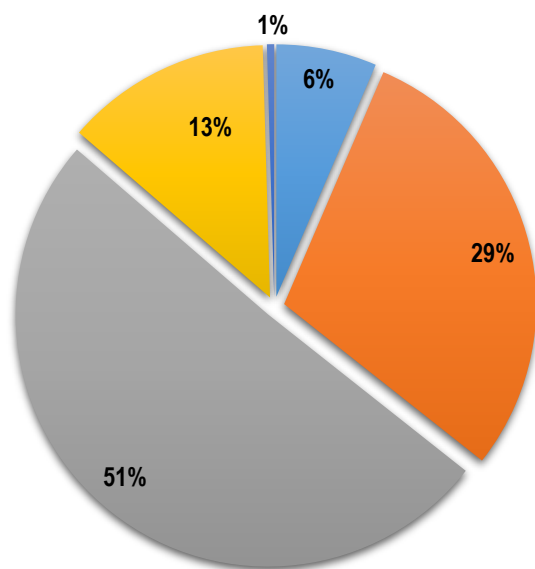
### Remaining Budget –R'000



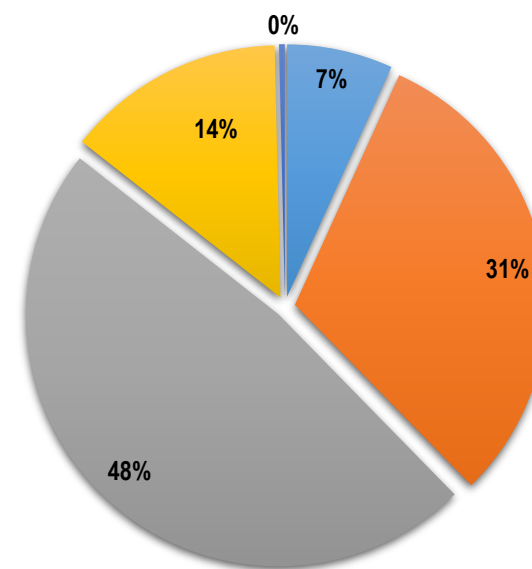
# Budget Analysis

## Conditional Grants budgeted – 2020/21 vs 2019/20

2020/21



2019/20



■ Health Professional Training and Development

■ National Tertiary services

■ Comprehensive HIV & AIDS, TB & COS

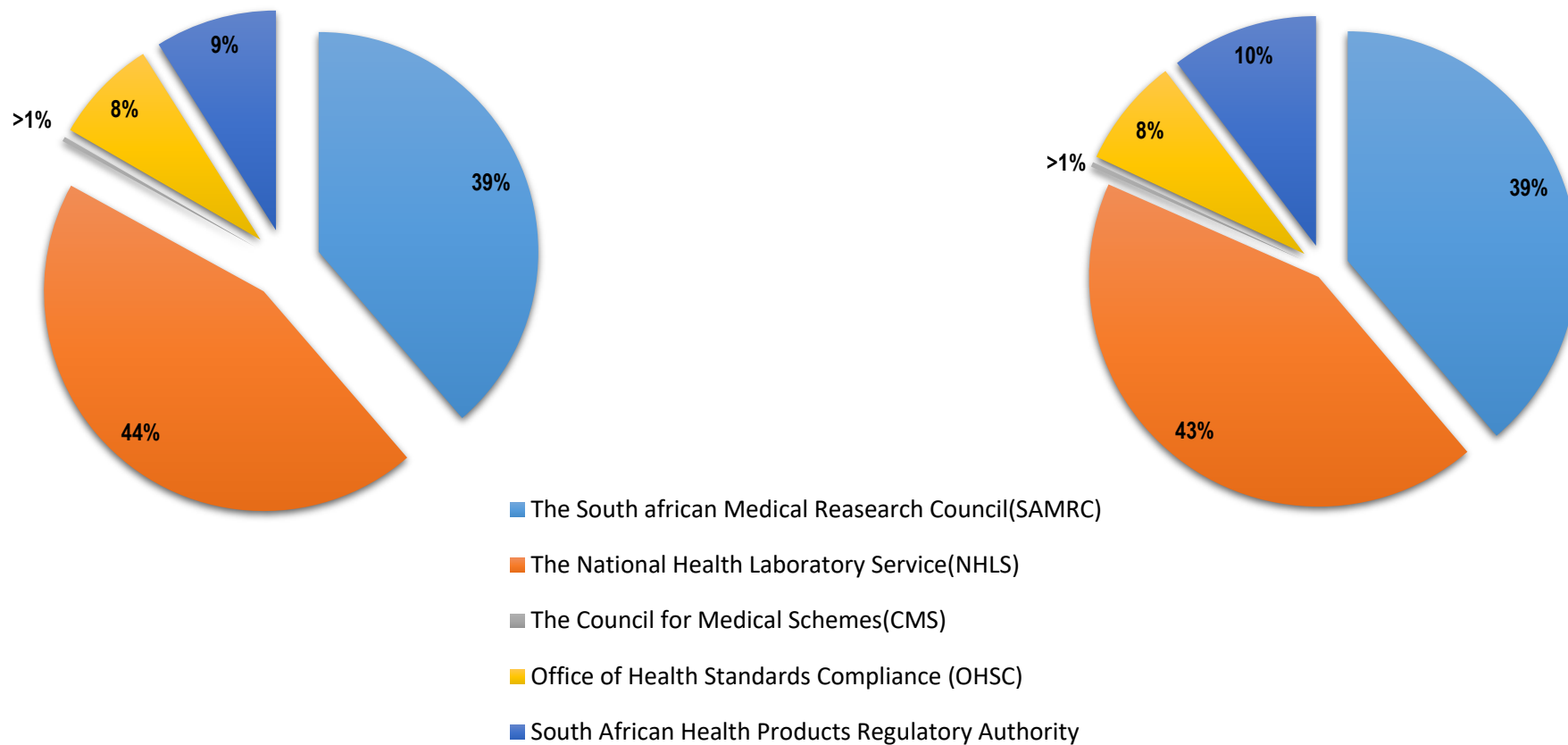
■ Health Facility Revitalisation Grant

■ Human Papillomavirus (HPV)



# Budget Analysis

Grants/transfers budgeted for entities 2020/21 compared to 2019/20 in R'000





# Status of Records Review (SoRR) 2019-2020

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# Objectives of the SoRR

Identify key areas of concern that may derail progress in the preparation of financial and performance reports and compliance with relevant legislation and consequential regression in audit outcome

Provide our assessment of the status of key focus areas that we reviewed

Assess progress made in implementing action plans/ follow through with commitments made in previous engagements

Identify matters that add value in putting measures and action plans in place well in advance to mitigate risks

Status of records review (SoRR)



Follow-up procedures

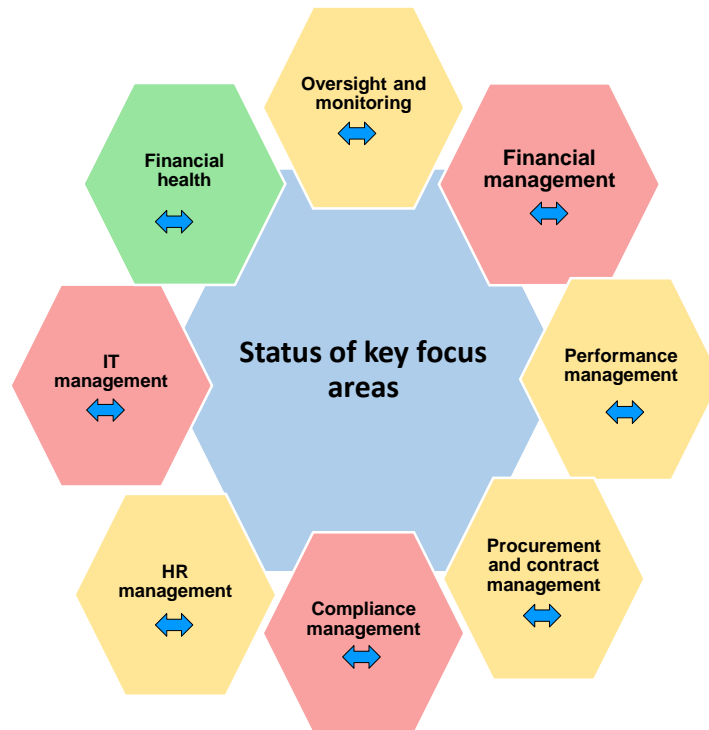


Analysis of financial and non-financial information (internal and external reports/documents and discussions with management)



# SORR outcome – 3rd Quarter 31 December 2019

## National Department of Health



- Findings relating to the incorrect application of Modified Cash Standard (MCS) was raised during the interim audit.
- There are still some concerns with the internal controls implemented to ensure the accurate and complete recording of the immovable asset register.
- The IT environment remains a concern as it has not improved from prior years. The impact thereof was evident on the operations of the department. If the matters are not resolved, this might impact the final audit.
- The turnaround time on investigations is still slow
- The department has instances of payments not made within 30 days that may be material at year end.

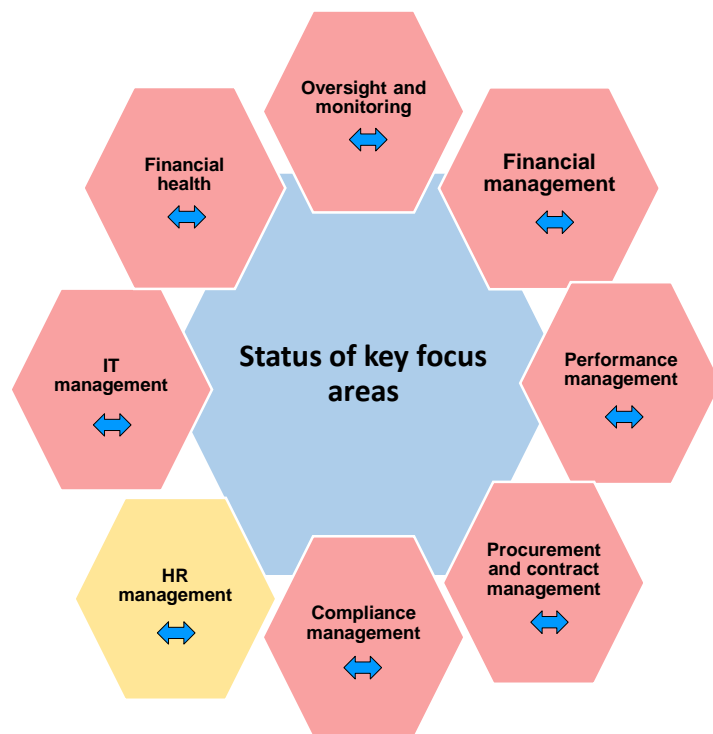
Good	The basics are in place as no concerns were identified.
Concerning	Concerns identified.
Intervention required	Level of concerns identified is an indicator that the AO needs to urgently intervene to prevent audit failure.

↑	Improved
↔	Unchanged
↓	Regressed



# Sector-Wide SORR outcome – 3rd Quarter 31 December 2019

## Consolidated Status for Health Department's



Good	The basics are in place as no concerns were identified.
Concerning	Concerns identified.
Intervention required	Level of concerns identified is an indicator that the AO needs to urgently intervene to prevent audit failure.

↑	Improved
↔	Unchanged
↓	Regressed

### Common concerns raised

- Slow response from the accounting officer and senior management to implement the action plans and effectively address significant deficiencies in internal control on financial, performance and compliance reporting.
- Reconciliations for the period 1 April 2019 – 30 Sept 2019 between DHIS, registers and input forms were not prepared and reviewed and this may continue to result in material findings being reported on performance objectives
- Poor contract management may lead to extension of contracts which could result to irregular expenditure being incurred.
- Investigations on irregular expenditure, fruitless and wasteful expenditure are being delayed or have slow progress or are not yet started at all.
- The sector has instances of payments not made within 30 days that may be material at year end.
- Effective and appropriate steps are still not taken to prevent irregular expenditure, fruitless and wasteful expenditure
- Budget constraints within the sector threaten the financial viability of the departments
- There are vacancies in key positions in some of the departments which could contribute to a stagnant outcome.



# Root causes and Recommendations

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# Root Causes

- Inadequate oversight exercised regarding financial and performance reporting and compliance as well as related internal controls.
- Lack of monitoring the implementation of action plans to address internal control deficiencies.
- Inadequate implementation of proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.
- No implementation of controls over daily and monthly processing and reconciling of transactions.
- Lack of review and monitoring of compliance with applicable laws and regulations.
- Inadequate consequences for poor performance and transgressions.



# Recommendation

Leadership should:

- Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls

Management should:

- Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support performance reporting
- Prepare accurate and complete financial and performance reports that are supported and evidenced by reliable information
- Review and monitor compliance with applicable legislation relating expenditure and procurement and contract management

To the portfolio committee

- Request management to provide feedback on the implementation and progress and of the action plans to address poor audit outcomes during quarterly reporting.
- Effective monitoring by the portfolio committee should ensure that officials are held accountable.
- Monitoring of appointments for key vacancies
- List of action taken against transgressors should be provided quarterly to PC for follow-up for all irregular expenditure incurred



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