



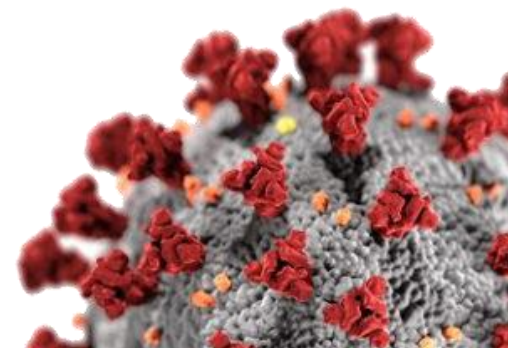
NATIONAL HEALTH LABORATORY SERVICE



PRESENTATION TO THE HEALTH PORTFOLIO COMMITTEE

NHLS ANNUAL REPORT 2019/20

Date: 10 March 2021





STRUCTURE OF THE PRESENTATION

Part 1: CORPORATE INFORMATION

Part 2: GOVERNANCE

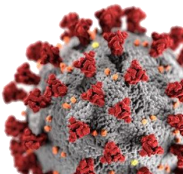
Part 3: STRATEGIC OVERVIEW

Part 4: PERFORMANCE HIGHLIGHTS

Part 5: PERFORMANCE BY PROGRAMME

Part 6: HUMAN RESOURCES

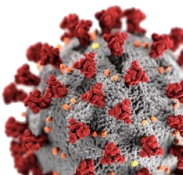
Part 7: FINANCES





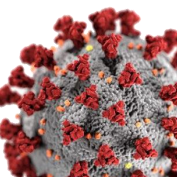
PURPOSE OF THE PRESENTATION

To brief the Committee on the achievements and progress as well as financial performance realised by the NHLS during the past financial year as outlined in its 2019/20 Annual Report and audited financial statements.





PART 1: CORPORATE INFORMATION

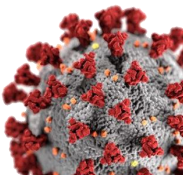




NHLS MANDATE AND STATUTORY FUNCTIONS



To provide **cost-effective** and **efficient** health laboratory services, support **health research** and provide **training** for health science education.





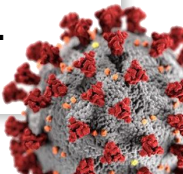
VISION AND MISSION



To render efficient patient-centred services and become a global centre of excellence for innovative laboratory medicine.



- Provide **quality, affordable** and **sustainable** health laboratory services through an integrated network of laboratories;
- Provide **training** for health science education; and
- Execute **innovative** and relevant **research** with a focus on patient care.





OUR VALUES

Care

To ensure the overall care and well-being of patients by supporting a strong and effective public healthcare system.

Unity of Purpose

Working Together towards a common goal.

Service Excellence

Valuing good work ethics and striving towards service excellence for customers.

Transformation

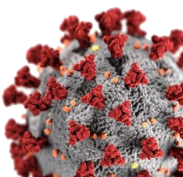
Looking forward to the future and growing together.

Innovation

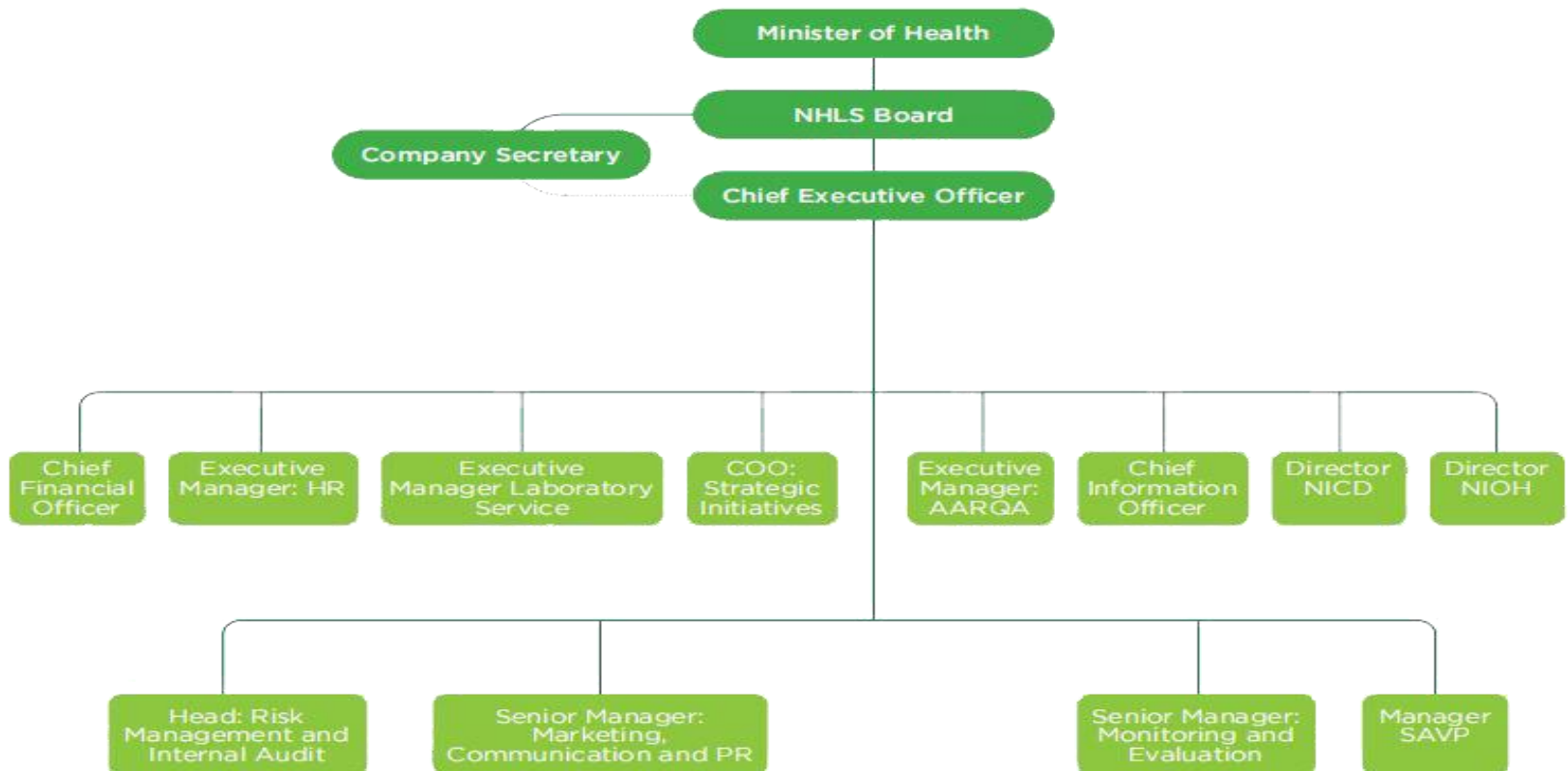
Pioneering relevant research to address health challenges.

Integrity

Working with integrity, ethics and responsibility.



STRUCTURE





NHLS BOARD MEMBERS.

Prof Eric Buch (Board Chairperson)

Mr Ian van der Merwe

Mr Ben Durham

Mr Jonathan Mallet (Appointed 18 January 2020)

Dr Zwelibanzi Mavuso

(Retired 21 December 2019)

Ms Nicolene VD Westhuizen

Dr Karmani Chetty (CEO)

Dr Balekile Mzangwa

Dr Gerhard Goosen (Fincom)

Ms Nelisiwe Mkhize

(Retired 20 January 2020)

Ms S'phiwe Mayinga (RHRC)

Dr Mary Ross (RIC)

Prof Thanyani Mariba (NAPC)

(Appointed 18 January 2020)

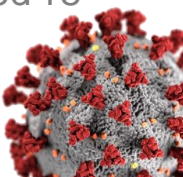
Mr Michael Shingange

Prof Larry Obi

Dr Tim Tucker (Retired 31 December 2019)

Dr Monde Tom (Retired 31 December 2019)

Mr Michael Sass (ARC) (Appointed 18 January 2020)





NHLS EXECUTIVE COMMITTEE MEMBERS PRESENT

Dr Karmani Chetty

CEO

Adv. Mpho Mphelo

Company Secretary

Mr Jonas Shai

(Acting) CFO

Mr Sibongiseni Hlongwane

CIO

Mr Jone Mofokeng

(Acting) HR Executive

Prof Koleka Mlisana

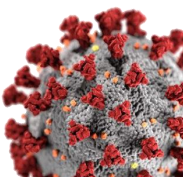
AARQA Executive

Prof Adrian Puren

(Acting) Director NICD

Ms Violet Gabashane

Senior Manager M&E





INSTITUTES OF THE NHLS

National Institute for Communicable Diseases (NICD)

- Surveillance and monitoring of communicable diseases;
- The National Cancer Registry; and
- The only bio safety level 4 laboratory in Africa.

National Institute for Occupational Health (NIOH)

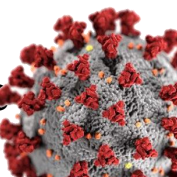
- Investigates occupational diseases and provides services to support occupational health.

South African Vaccine Producers (SAVP)

- Only Southern African producer of equine anti-venoms for snake bites, spider and scorpion stings.

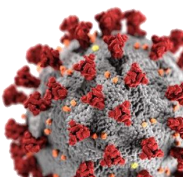
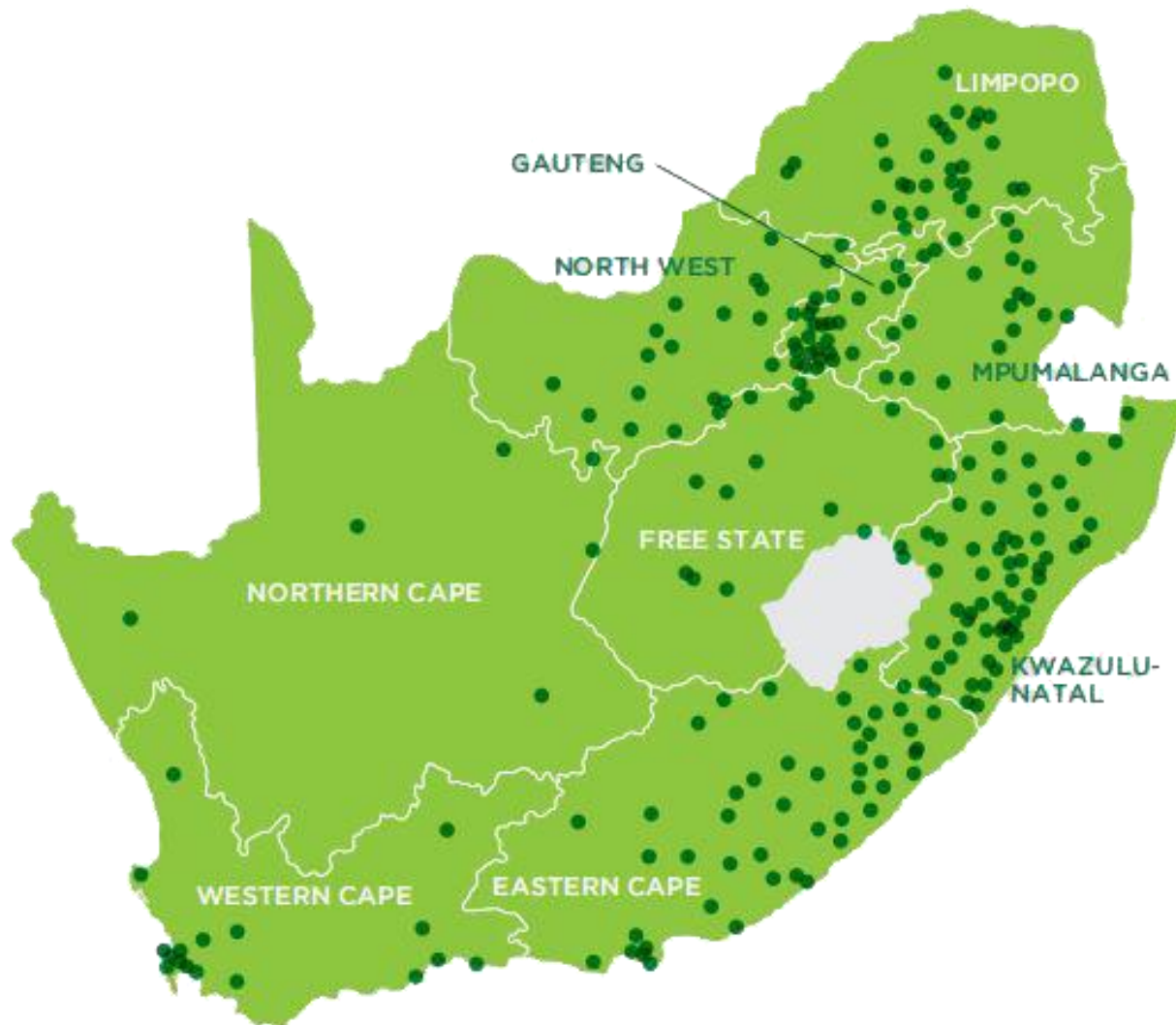
Diagnostic Media Products (DMP)

- Main supplier of culture media and reagents to the NHLS laboratories





NATIONAL FOOTPRINT





THE NHLS AT A GLANCE

IN NUMBERS: FINANCIAL HIGHLIGHTS (2019/20)



The NHLS generated
1.082 billion
surplus for the
financial year 2019/20.



Turnover for the
financial **period**
was reported as
9.3 billion.



The NHLS reported a **cash**
balance of
4.1 billion
at the end of the financial year
which greatly assisted with the
NHLS' response to COVID-19
in the months after the financial
year-end.



Implementation of the
Gauteng
Department of
Health settlement
agreement, signed
On 22 February 2018,
has resulted in the reduction
of a long outstanding debt. It
has also enhanced our cash
flow in the current
financial year.



THE NHLS AT A GLANCE

IN NUMBERS: FINANCIAL HIGHLIGHTS (2019/20)



Creditors days

improved
from 30 days (31 March
2019) to **28 days**
(31 March 2020).

The improvement of
creditors' days from an
already low base illustrates
NHLS' continuous
commitment to the timely
payment of suppliers for
goods and services
rendered.



Debtors days

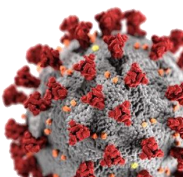
improved from 127 days (31
March 2019) to

105 days

(31 March 2020), which
points to improved debt
collection in conjunction with
improved provincial
payments. It is important to
note that the debtors' days'
calculation does not include
the KZN Department of
Health disputed amount and
the Gauteng Department of
Health settlement
agreement.



The **unqualified audit**
report for the 2019/20 financial
period is evidence of the NHLS'
improved internal controls and
improved financial record keeping
of the NHLS.





THE NHLS AT A GLANCE

IN NUMBERS: NON-FINANCIAL PERFORMANCE HIGHLIGHTS



The NHLS acted swiftly in preparation for the

COVID-19 pandemic.

We started testing on the 8-9 March 2020, after the first positive case in South Africa was reported.

Only two laboratories were resourced to test for COVID-19 at the beginning and by the end of March 2020, 8 laboratories were resourced to test.



19 new laboratories

were accredited with SANAS:ISO 15189 in the period under review, resulting in a total of 80 laboratories accredited.



The SANAS accreditation of regional and district laboratories far

exceeded the target,

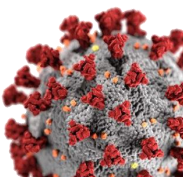
25 against a target of 12 for regional laboratories and 25 against the target of 19 for district laboratories.

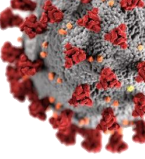


The NHLS published

632 articles

in the peer reviewed journals against a target of 600.





THE NHLS AT A GLANCE

IN NUMBERS: NON-FINANCIAL PERFORMANCE HIGHLIGHTS



The NHLS held a successful Pathology Research and Development Congress in the year under review, with

513 delegates

registering and attended the congress.



The Division of Biosafety and Biosecurity (DBB) successfully commissioned and fully operationalised a newly constructed **biosafety level 3 (BSL3) laboratory**.

This laboratory, together with the biosafety level 4 (BSL 4) laboratory, represents the most advanced high and maximum biocontainment infrastructure in the country and in Africa.



The sequencing core facility in the NICD generated the first **SARS-CoV-2 genome** in South Africa and is assisting other African countries through the Africa CDC partnership.



The NHLS acquired intellectual property (IP) of the **Occupational Health and Safety Information System (OHASIS)** that supports surveillance and ensure compliance with Occupational and Environmental Health and Safety (OEHS) legislation.



PART 2: GOVERNANCE

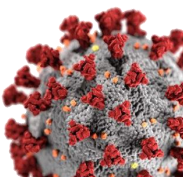


LEGISLATIVE AND OTHER MANDATES

- Constitutional mandate and Bill of Rights.
- The National Health Act, 2003 (Act No 61 of 2003).
- The National Health Laboratory Service Act, 2000.
- Public Finance Management Act no 1 of 1999 as amended (PFMA).

Legislative environment

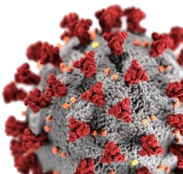
- Impending changes in the legislative environment will have an impact on the NHLS once implemented, e.g. the NHI Fund Bill and NAPHISA Bill.
- NHLS Amendment Bill – to enhance governance of the NHLS through reconfiguration of the Board and member representation.



LEGISLATIVE AND OTHER MANDATES (CONT)

The Board

- The NHLS Board serves as the accounting authority in terms of Section 49 of the Public Finance Management Act, 1999 (Act No. 1 of 1999).
- Responsible for providing strategic direction and leadership, ensuring good corporate governance and ethics, determining policy and agreeing on performance criteria.
- Board is supported by seven sub-committees to help it meet its mandate, without abdicating its own responsibilities.



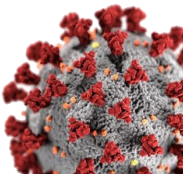


PART 3: STRATEGIC OVERVIEW

STRATEGIC OVERVIEW

Internal leadership highlights

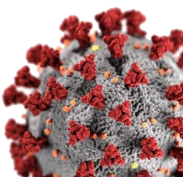
- Board has strengthened the NHLS at Executive and Management levels.
- Appointed key personnel: CEO, CFO and CIO.
- NHLS improved on all functions and processes that enable it to carry out its mandate more effectively and efficiently.



STRATEGIC OVERVIEW (CONT)

Key Initiatives

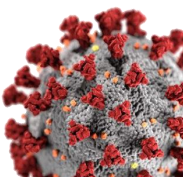
- NHLS continues to offer high quality, affordable services with proven value for money.
- Focussed attention on service delivery improvement as evidenced by the improved turnaround times for most of the tests.
- Financial sustainability and performance has been greatly improved.
- Improved relations with organised labour and harmonisation of labour relations.
- Key focus on ensuring SANAS accreditation, which shows acceleration of accreditation in preparation for NHI.



STRATEGIC OVERVIEW (CONT)

Key initiatives

- Improved internal operational efficiencies.
- Systems improvements in procurement.
- Improved policies and systems in Information Technology are being put in place to radically modernise the NHLS IT infrastructure.
- The National Institute for Communicable Diseases continues to play an exceptional role in health surveillance.
- The National Institute for Occupational Health continues to play a niche role in Occupational Health and Safety.
- Build and maintain strategic relationships with a number of partners.



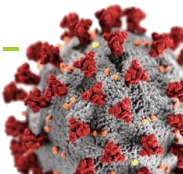


PART 4: PERFORMANCE HIGHLIGHTS

SUMMARY OF KEY ACHIEVEMENTS

Finances:

- **Financial stability:** NHLS financial situation improved significantly in the 2019/20 financial year.
- **Provincial debt:** Through extensive negotiations a number of provinces have substantially reduced their historic debt.
- **Current debt:** Most provinces are adequately paying for current consumption.
- **Settlement agreement:** A settlement agreement was reached with the Gauteng Department of Health (GDoH) in 2017/18. As at February 2020, three instalments have been received and the department has improved on its payment for current consumption.

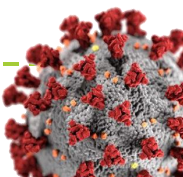




SUMMARY OF KEY ACHIEVEMENTS (CONT)

Finances:

- **Revenue and other income:** Grew from from R8.5 billion to R9.3 billion, with provinces accounting for 89% of total revenue generated.
- **Surplus:** Amounting to R1.082 billion.
- **Cash Flow:** The NHLS reported a cash balance of 4.1 billion at the end of the financial year which greatly assisted with the NHLS' response to COVID-19 in the months after the financial year-end.
- **Creditors days:** reduced from 30 days to 28 days.
- **Debtors days:** reduced substantially Debtors days improved from 127 days (31 March 2019) to 105 days (31 March 2020).



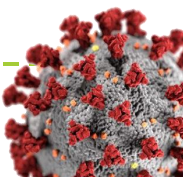


SUMMARY OF KEY ACHIEVEMENTS (CONT)

Systems Improvement

■ Information Technology:

- Digitisation of the NHLS laboratory operations through the use of the health patient record number from the health patient record system - this allows for more consistent and accurate identification of patients. Integration of the LIS with the Health Patient Registration System (HPRS).
- Central Data Warehouse continues to be the strategic source for laboratory tests data which is presenting the NHLS with an opportunity to effectively use data and analytics to drive innovation, improve efficiencies and enable evidence based decision making.

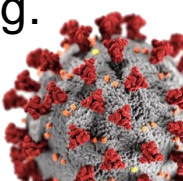




SUMMARY OF KEY ACHIEVEMENTS (CONT)

Service delivery

- NHLS delivered the test results within the set turnaround times for most of the tests.
- NHLS conducted approximately 97 000 000 million diagnostic tests for 2019/2020 which translates to about 265 000 tests per day.
- During 2019/20, 5.7 million viral load (VL) tests were performed, compared to 5.2 million during 2018/19, which constitutes an increase of 9.45% (487 885 tests).
- The NHLS acted swiftly in preparation for the COVID-19 pandemic.
- It started with two laboratories testing at the beginning of March when NHLS started testing.
- By the end of March, eight (8) fully-resourced laboratories were testing.

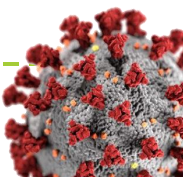




SUMMARY OF KEY ACHIEVEMENTS (CONT)

Service delivery

- NHLS devoted resources to assist with COVID-19 preparedness and diagnostic activities. As such, several work streams, including but not limited to, were established for the following:
 - Establishing standardised panels for evaluation of COVID antibody tests, PCR tests and antigen rapid test kits;
 - Sourcing reference material for validations and quality assurance aspects;
 - Assessing academic institutions for COVID-19 testing; and
 - Leveraging existing diagnostic platforms such as the Roche Cobas, Abbott m2000, and GeneXpert.

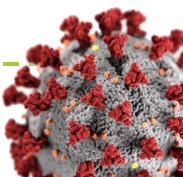




SUMMARY OF KEY ACHIEVEMENTS (CONT)

Academic Affairs, Research and Quality Assurance

- **Journal articles:** 632 journal articles were published by NHLS in collaboration with its academic partners.
- NHLS introduced a workforce skills development initiative that utilises the “Project Extension for Community Healthcare Outcomes (Project ECHO) video conferencing platform to support the teaching and training activities and enhance consultative initiatives”.
- **SANAS accredited laboratories:** 19 new pathology laboratories accredited by the SANAS.

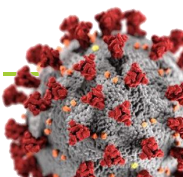




SUMMARY OF KEY ACHIEVEMENTS (CONT)

Surveillance of Communicable Diseases

- **HIV:** Virology Section continued to support preclinical vaccine development and to define the determinants of broadly neutralising antibodies, widely assumed to be key for a future HIV vaccine.
- **Malaria:** The Centre for Emerging Zoonotic and Parasitic Diseases continued to play an important role in supporting the malaria control and elimination agenda of the provincial, national and regional programmes. Several surveillance-linked research projects provided the basis for tackling residual malaria transmission in South Africa.
- **Tuberculosis:** The results of the national TB prevalence survey provided the first direct measurement of the burden through active case finding and identified a higher burden than currently reported.

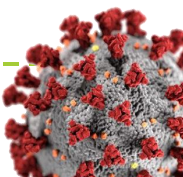




SUMMARY OF KEY ACHIEVEMENTS (CONT)

Surveillance of Communicable Diseases

- **Cancer:** The National Cancer Registry (NCR) published key research in cancer epidemiology. The registry also examined national cancer trends and excess cancer risk in people living with HIV compared to those who are HIV-negative.
- **NMCSS:** The Notifiable Medical Conditions Surveillance System, designed for real-time data reporting, continued to expand across the country and received over 7 500 monthly notifications from NHLS laboratories, and more than 3 800 private and public sector health facilities across the country.

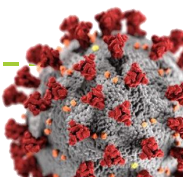




SUMMARY OF KEY ACHIEVEMENTS (CONT)

Occupational Health and Safety

- The NIOH has been re-designated as a Collaborating Centre in Occupational Health by the World Health Organisation (WHO). The Institute conducted a number of teaching and training initiatives to integrate the local, regional and global changes that have a notable impact on the Occupational Health and safety.
- The NIOH was invited to partner with the International Labour Organization (ILO) on a mission to Ethiopia to advise the Ethiopian Department of Labour and Social Affairs on the establishment of an Ethiopian Institute for Occupational Safety and Health.



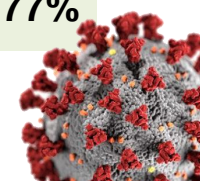


PART 5: PERFORMANCE BY PROGRAMME





SUMMARY OF PERFORMANCE

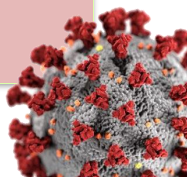
Programme	Achieved	Not Achieved	Total number of KPIs	% Score Achieved
Financial Management	7	0	7	100%
Governance and Compliance	1	0	1	100%
Information Technology	2	1	3	67%
Human Resources	2	3	5	40%
Surveillance of Communicable Disease (NICD)	6	1	7	86%
Occupational and Environmental Health and Safety (NIOH)	6	0	6	100%
Academic Affairs, Research and Quality Assurance (AARQA)	7	4	11	64%
Laboratory Services	6	2	8	75%
Overall Achievement	37	11	48	77%







SUMMARY OF PERFORMANCE (CONT)

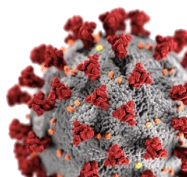
Programme	Achieved 	Not achieved 
Prog 1: Admin Finance	<ul style="list-style-type: none"> Financial management policy Ratio of current assets Cash Flow Materials cost to revenue Creditors days Debtors days Contract management system Percentage turnaround time for awarding tenders within 90 days 	
Prog 1: Admin – Finance - Governance and Compliance	<ul style="list-style-type: none"> Unqualified Audit Opinion 	
Prog 1: Admin IT	<ul style="list-style-type: none"> Number of dashboards, analytics and customer channels projects implemented Number of modernisation projects completed 	Percentage systems uptime for critical systems at facility level (Achieved 97% vs 99% target)







SUMMARY OF PERFORMANCE (CONT)

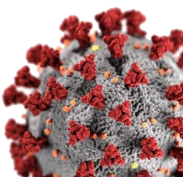
Programme	Achieved 	Not achieved 
Prog 1: Admin HR	<p>Staff turnover ratio</p> <p>Average staff recruitment turnaround within 90 days</p> <p>Workforce model</p> <p>Integrated performance management system</p>	<p>Percentage of employment equity achieved across grade C,D and E relative to EAP (Achieved 84% vs 85% target)</p> <p>Percentage of employee with approved and evaluated performance agreements (Achieved 90% vs 95% target)</p> <p>Percentage of employees trained as per the approved training plan (WSP) (Achieve 72% vs 90% target)</p>
Prog 2: Surveillance of Communicable Disease	<p>Number of GERMS-SA reports produced</p> <p>Percentage of outbreaks responded to within 24 hours after notification</p> <p>Percentage of NICD laboratories that SANAS accredited</p> <p>Annual report of population based on cancer surveillance</p> <p>Number of NICD laboratories with WHO reference status</p> <p>Number of articles published in the peer-reviewed journals</p>	<p>Number of field epidemiologists qualified</p> <p>(Achieved 6 vs 7 target)</p>







SUMMARY OF PERFORMANCE (CONT)

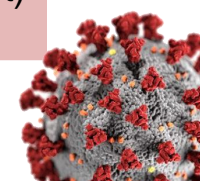
Programme	Achieved 	Not achieved 
Prog 3: Occupational Health and Safety	<ul style="list-style-type: none">• % of occupational health and environmental health laboratory tests conducted with predefined turnaround times• No of occupational and environmental health assessments completed• No of surveillance reports produced• % of NHLS laboratories audited• No of articles published in peer-reviewed journals• No of students, interns and registrars under supervision	







SUMMARY OF PERFORMANCE (CONT)

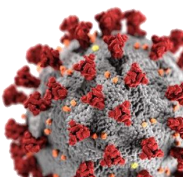
Programme	Achieved 	Not achieved 
Prog 4: Academic Affairs, Research and Quality Assurance	<ul style="list-style-type: none"> No of provincial tertiary laboratories that are SANAS accredited Number of regional laboratories that are SANAS accreditation Number of district laboratories that are SANAS accreditation No of pathology registrars admitted and trained in the NHLS Number of intern medical technologists and students medical technicians admitted and trained in the NHLS Number of bilateral or umbrella agreements signed with universities and Universities of Technology Number of articles published in peer-reviewed journals 	<ul style="list-style-type: none"> % compliance by laboratories during annual quality compliance audits (Achieved 86% vs 90% target) No of national central laboratories that are SANAS accredited (Achieved 51 vs 53 target) % of laboratories achieving proficiency testing scheme performance standards of 80% (Achieved 88% vs 90% target) No of intern Medical Scientists admitted and trained in the NHLS (Achieved 27 vs 50 target)





SUMMARY OF PERFORMANCE (CONT)

Programme	Achieved 	Not achieved 
Prog 5: Laboratory Service	<ul style="list-style-type: none"> • % TB microscopy tests performed within 40 hours • % TB GeneXpert tests performed within 40 hours • % CD4 tests performed within 40 hours • % Viral Load tests performed within 96 hours • % of laboratory tests (FBC) performed within 8 hours • % of laboratory tests (U&E) performed within 8 hours 	<p>% HIV PCR tests performed within 96 hours (Achieved 72% vs 85% target)</p> <p>% Cervical smear tests performed within 5 weeks (Achieved 86% vs 90% target)</p>





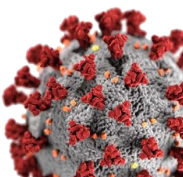
PART 6: HUMAN RESOURCES



OVERVIEW OF HR ENVIRONMENT

Total number of employees at end of Fin Year = **7 532**; broken down as follows:

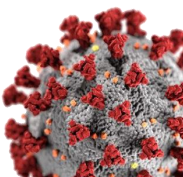
Level	2018/19 No. of employees
Top management	8
Senior management	49
Professional qualified	716
Skilled	3016
Semi-skilled	2617
Unskilled	794
Interns (Learnerships)	332
Total	7532





OVERVIEW OF HR ENVIRONMENT (CONT)

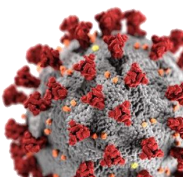
- Personnel expenditure amounted to R3.9 billion.
- Personnel expenditure as a % of total expenditure = 46.96%.
- Average personnel cost per employee = R 520 725,18





OVERVIEW OF HR ENVIRONMENT (CONT)

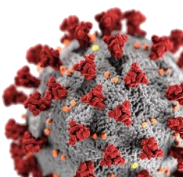
- A total of 5 880 employees attended technical and non-technical short learning programmes, workshops, seminars, on-the-job training and conferences during the past financial year.
- Twelve scholarships and bursaries were awarded to disadvantaged students to study towards National Diploma in Biomedical Technology, Bachelor of Health Science and career development.
- A total of 328 bursaries were also issued to NHLS staff aiming to pursue their career development by way of formal qualifications.





OVERVIEW OF HR ENVIRONMENT (CONT)

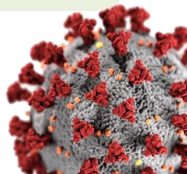
- Staff turnover stood at 3.1%, indicating that the NHLS is an employer of choice for professionals in the pathology sector.
- Vacancy rate was 8.9% - emphasis was placed on filling critical positions.
- The NHLS is still the largest training provider for registrars, medical scientists, medical technologists, medical technicians and laboratory assistants in the country.





EQUITY TARGET AND EMPLOYMENT EQUITY STATUS - MALE

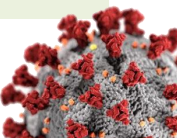
Level	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	3	4	0	1	0	0	1	0
Senior Management	8	13	1	2	3	4	7	9
Professional Qualified	111	192	25	28	50	47	99	94
Skilled	688	886	73	103	54	52	54	104
Semi-skilled	687	918	61	74	36	40	10	21
Unskilled	294	327	8	18	0	1	1	2
Total	1 791	2340	168	226	143	144	172	231





EQUITY TARGET AND EMPLOYMENT EQUITY STATUS - FEMALE

Level	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	1	0	1	0
Senior Management	9	10	2	3	6	8	12	18
Professional Qualified	267	278	32	39	112	106	196	189
Skilled	1541	1500	175	173	172	174	240	246
Semi-skilled	1319	1319	174	179	45	50	62	69
Unskilled	456	455	21	28	1	2	0	2
Total	3593	3562	404	422	337	340	511	524



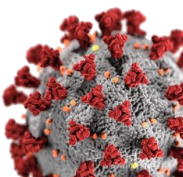


FINANCES



SUMMARY OF FINANCIAL PERFORMANCE

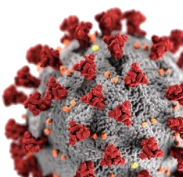
- **Surplus for the year**, amounting to R1.082 billion compared to a R995.8 million surplus in the previous financial year.
- **Revenue and other income** R8.5 billion to R9.3 billion, with provinces amounting to 87% of the total revenue generated.
- **Production costs** including direct labour and material grew from R6.7 billion to R7.4 billion.
- **Labour costs** constituted 42% of the total production costs, compared to 43% in the previous financial year.





SUMMARY OF FINANCIAL PERFORMANCE (CONT)

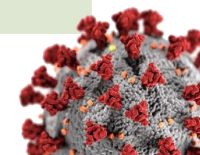
- **Assets** increased from a revised R5.7 billion to R6.9 billion, which constitutes a 20% increase, which can mainly be attributed to an 86% (R1.9 billion) increase in cash.
- **Bank balance** ended at R4.1 billion compared to R2.2 billion in the previous financial year, which indicates a net cash inflow of R1.9 billion.
- **Test volumes** increased by 3.2% from 94 404 922 in the 2018/19 financial year, to 97 540 122 in the 2019/20 financial year.
- **Collection** from provincial departments amounted to R4.7 billion compared R5.3 billion in the previous financial year.





SUMMARY OF FINANCIAL PERFORMANCE (CONT)

Financial Performance (R'000)	2017 Restated	2018 Restated	2019 Restated	2020
Revenue	7 094 905	7 915 877	8 502 475	9 250 665
Cost of sales	(5 832 752)	(6 277 601)	(6 746 090)	(7 357 448)
Gross surplus/ (loss)	1 262 153	1 638 276	1 756 385	1 893 217
Other income	269 119	420 319	276 511	180 681
Operating expenses	(3 560 289)	(748 158)	(1 230 455)	(1 300 400)
Operating surplus/ (deficit)	(2 029 017)	1 310 437	802 441	773 498
Interest income	153 866	102 936	183 512	315 841
Fair value adjustment	-	22	22 701	(23)
Interest expenses	(23 764)	(16 098)	(10 753)	(6 278)
Surplus before taxation	(1 898 915)	1 397 297	997 901	1 083 038
Taxation	(11 252)	(693)	(2 090)	(816)
Net surplus/ (deficit)	(1 910 167)	1 396 604	995 811	1 082 222

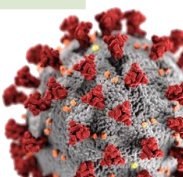




SUMMARY OF FINANCIAL PERFORMANCE (CONT)

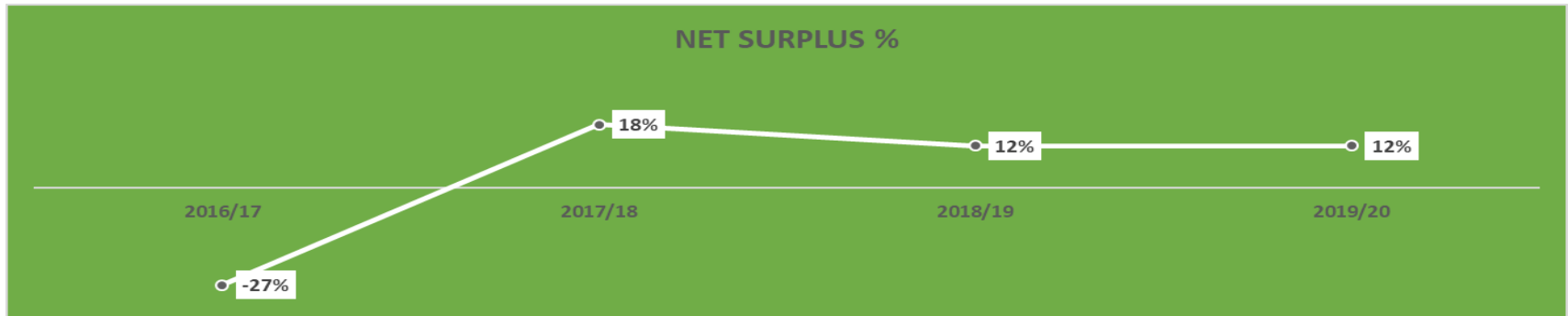
Subsidies from government R'000	2017 Restated	2018 Restated	2019 Restated	2020 Restated
Government funding of National Institutes	715 270	746 464	789 759	786 248

Liquidity ratio analysis	2017 Restated	2018 Restated	2019 Restated	2020 Restated
Current ratio	1.3:1	1.9:1	3.2:1	3.5:1



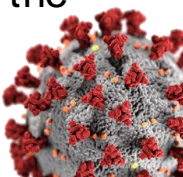


SUMMARY OF FINANCIAL PERFORMANCE (CONT)



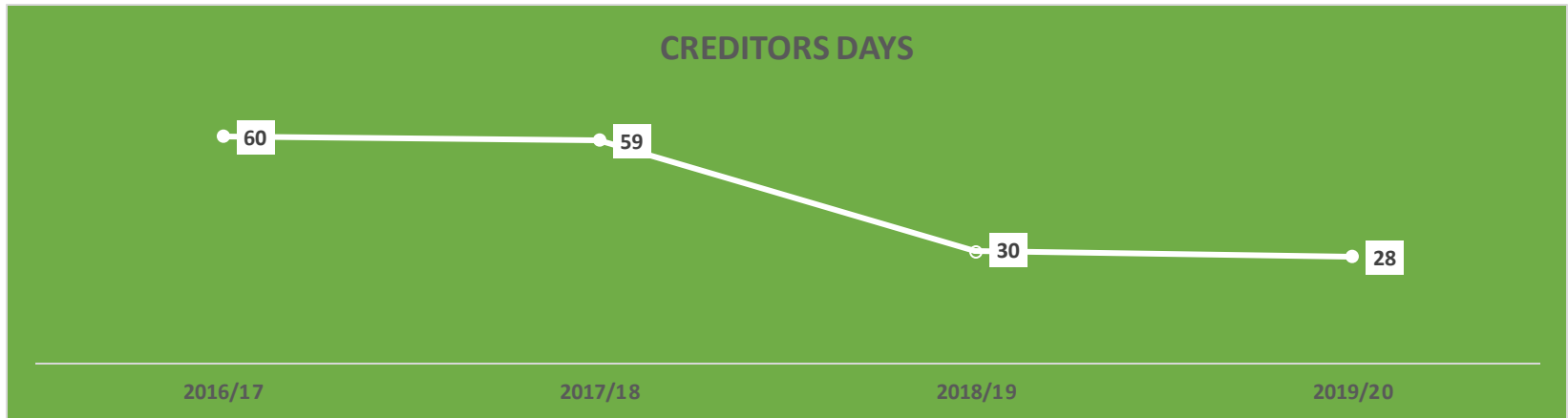
NP%	2016/17	2017/18	2018/19	2019/20
	R'000	R'000	R'000	R'000
Net Surplus	-1 910 167	1 395 604	995 811	1 082 220
Total Revenue	7 094 905	7 915 877	8 502 475	9 250 665
Result (%)	-27%	18%	12%	12%

In 2016/17, a large bad debt provision was raised for Gauteng and KZN outstanding debt. Subsequently, a settlement has been reached with Gauteng. In the past two financial years, improved liability and expenditure management has led to the stabilisation of the net accounting surplus.



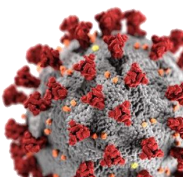


CREDITOR DAYS NOW BELOW 30



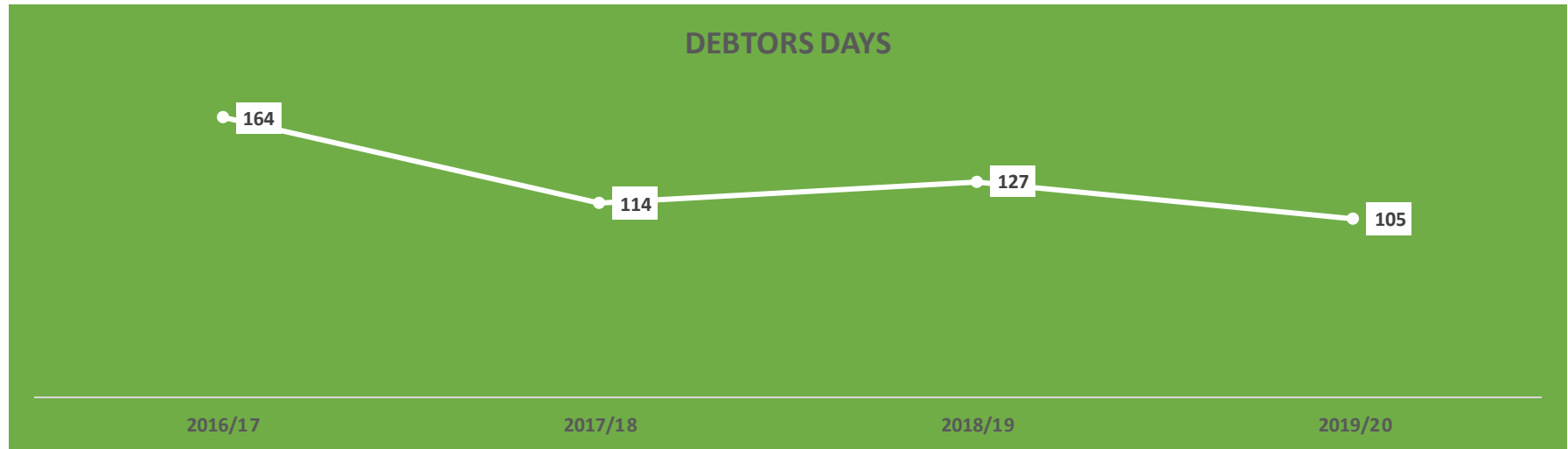
Creditor days	2016/17 R'000	2017/18 R'000	2018/19 R'000	2019/20 R'000
Result (%)	60	59	30	28

Creditors days improved from 30 days (31 March 2019) to 28 days (31 March 2020). The improvement of creditors' days from an already low base illustrate NHLS' continuous commitment to the timely payment of suppliers for goods and services rendered.



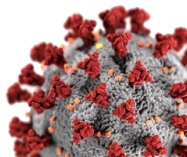


DEBTOR DAYS DOWN



	2016/17	2017/18	2018/19	2019/20
Debtor days				
	R'000	R'000	R'000	R'000
Result (in days)	164	114	127	105

Debtors days improved from 127 days (31 March 2019) to 105 days (31 March 2020), which improve debt collection in conjunction with improved provincial payments. It is important to note that the debtors' days calculation does not include the KZN Department of Health dispute amount and the Gauteng Department of Health settlement agreement.



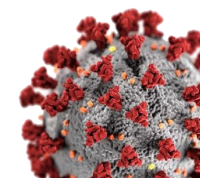


PROVINCIAL PAYMENTS REACHED 100% OF BILLED

Financial Year	Billed	Paid	% Received	% of payment related to historical debt
2008/09 FY	2 877 927 621	2 525 058 466	88%	24%
2009/10 FY	3 252 160 442	3 096 822 395	95%	26%
2010/11 FY	3 823 082 984	3 232 124 957	85%	27%
2011/12 FY	4 054 934 185	3 555 762 785	88%	30%
2012/13 FY	4 495 749 705	3 810 111 353	85%	22%
2013/14 FY	4 975 934 304	3 503 241 175	70%	28%
2014/15 FY	5 454 183 025	4 708 088 908	86%	24%
2015/16 FY	5 608 915 677	4 665 653 928	83%	15%
2016/17 FY	6 204 260 242	5 063 851 728	82%	23%
2017/18 FY	6 853 179 391	6 461 876 449	94%	23%
2018/19 FY	7 443 862 217	7 468 062 744	100%	20%
2019/20 FY	8 512 189 840	8 667 500 842	100%	21%

Key factors in the improved payments is:

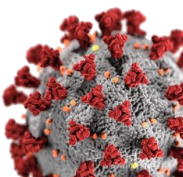
- KZN paying its billed amount in full.
- Gauteng's payment towards the settlement agreement.





CONCLUSION

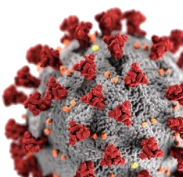
- Accelerated implementation of projects initiated during the period under review to improve the efficiency of the organisation.
- Cost containment will remain one of the core focus areas in this financial year.
- Operational efficiency and effectiveness will also be the key drivers of performance this year.
- The financial year 2019/2020 had seen the start of the COVID-19 pandemic, with the first patient testing positive on 5 March, 2020.
- COVID-19 Pandemic will be the biggest challenge facing the NHLS and the country in the 2020/2021 financial year.





ACKNOWLEDGEMENT

- Minister Dr Zwelini Mkhize and Deputy Minister Joe Phaahla;
- MECs of Health and Heads of provincial health departments;
- Members of the Board.
- NHLS Executive Management Team;
- NHLS employees; and
- Portfolio Committee on Health



THANK YOU!

