*Friday, 4 December 2020*]

No 181—2020] SECOND SESSION, SIXTH PARLIAMENT

# PARLIAMENT

**OF THE**

# REPUBLIC OF SOUTH AFRICA

# ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

FRIDAY, 4 DECEMBER 2020

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## National Assembly



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# ANNOUNCEMENTS

## National Assembly

### The Speaker

### 1. Introduction of Bills

(1) **Mr M P G Lekota, MP**

(a) **Electoral Laws Second Amendment Bill** [B 34 - 2020] (National Assembly – proposed sec 75) [Explanatory summary of Bill and prior notice of its introduction published in ***Government Gazette*** No 43660 of 28 August 2020.]

Introduction and referral to the **Portfolio Committee on Home Affairs** of the National Assembly, as well as referral to the Joint Tagging Mechanism (JTM) for classification in terms of Joint Rule 160.

In terms of Joint Rule 154 written views on the classification of the Bill may be submitted to the JTM. The Bill may only be classified after the expiry of at least three parliamentary working days since introduction.

### 2. Resignation from Commission for Gender Equality

(1) A letter, dated 1 December 2020, has been received from Dr Tlaleng Mofokeng, a full-time commissioner at the Commission for Gender Equality, communicating her resignation from the Commission.

Referred to the **Portfolio Committee on Women, Youth and Persons with Disabilities**.

### 3. Referral to Committees of papers tabled

(1) The following papers are referred to the **Portfolio Committee on Trade and Industry** for consideration and report. Report of Independent Auditors on the

Financial Statements and Performance Information is referred to the **Standing Committee on Public Accounts** for consideration:

(a) Report and Financial Statements of the South African National Accreditation System (SANAS) for 2019-20, including the Report of the Independent Auditors on the Financial Statements and Performance Information for 2019-20.

(2) The following papers are referred to the **Portfolio Committee on Transport** for consideration and report. Report of the Auditor-General on the Financial Statements and Performance Information is referred to the **Standing Committee on Public Accounts** for consideration:

(a) Report and Financial Statements of the South African Maritime Safety Authority (SAMSA) for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information for 2019-20.

## 4. Appointment of Independent Panel

(1) On 21 February 2020, Ms NWA Mazzone MP, on behalf of the Democratic Alliance, tabled a motion requesting the House to initiate a process to remove the Public Protector, Adv B Mkhwebane, from office in terms of section 194 of the Constitution of the Republic and National Assembly Rule 129R.

(2) National Assembly Rule 129U states that the Speaker must, when required, establish an independent panel to conduct a preliminary inquiry on a motion initiated in a section 194 enquiry. The Speaker appointed the independent Panel on 25 November 2020. It is composed as follows:

Justice B Nkabinde (as Chairperson);
Adv D B Ntsebeza SC; and
Adv J De Waal SC.

(3) The following has been referred to the independent panel for report in terms of National Assembly Rule 129 T:

(a) Draft resolution (Chief Whip of the Opposition): That the House -

(i) notes that on 3 December 2019, it passed new Rules pertaining to the removal of office-bearers in institutions supporting constitutional democracy, to give effect to section 194 of the Constitution;

(ii) further notes that, in terms of section 194(1) of the Constitution, office-bearers may be removed from office only on the ground of misconduct, incapacity or incompetence following a finding of a committee of the National Assembly and the subsequent adoption of a resolution on said removal; and

(iii) resolves to initiate an inquiry in terms of section 194(1) of the Constitution to remove Advocate Busisiwe Mkhwebane from the Office of the Public Protector on the grounds of misconduct and/or incompetence in the South African Reserve Bank, Vrede Dairy and

other matters, charges of which are set out and substantiated in *Annexure A* attached hereto.

(b) Annexure A of the National Assembly Order Paper of 10 March 2020, and supporting papers referenced therein.

(4) The President of the Republic has been informed of the referral.

**Rule for Unforeseen Eventuality**

Rule 6 of the National Assembly Rules provides that the Speaker may give a ruling or frame a rule in respect of any eventuality for which the rules or orders of the House do not provide, having due regard to the procedures, precedents, practices and conventions developed by the House and on the basis of constitutional values and principles underpinning an open, accountable and democratic society. A rule framed by the Speaker remains in force until the House, based on a recommendation of the Rules Committee, has decided thereon.
National Assembly Rule 129X states that –

**129X. Functions and powers of the independent panel**

(1) The panel –

(a) must be independent and subject only to the Constitution, the law and these rules, which it must apply impartially and without fear, favour or prejudice;

(b) must, within 30 days of its appointment, conduct and finalise a preliminary assessment relating to the motion proposing a section 194 enquiry to determine whether there is *prima facie* evidence to show that the holder of a public office-

(i) committed misconduct;
(ii) is incapacitated; or
(iii) is incompetent; and

(c) in considering the matter –

(i) may, in its sole discretion, afford any member an opportunity to place relevant written or recorded information before it within a specific timeframe;
(ii) must without delay provide the holder of a public office with copies of all information available to the panel relating to the assessment;
(iii) must provide the holder of a public office with a reasonable opportunity to respond, in writing, to all relevant allegations against him or her;
(iv) must not hold oral hearings and must limit its assessment to the relevant written and recorded information placed before it bymembers, or by the holder of a public office, in terms of this rule; and
(v) must include in its report any recommendations, including the reasons for such recommendations, as well as any minority view of any panelist.

(2) The panel may determine its own working arrangements strictly within the parameters of the procedures provided for in this rule.

The Speaker has received a submission from the independent panel established to conduct a preliminary inquiry on a motion, tabled by Ms NWA Mazzone MP, on 21 February 2020, which indicated that the panel, in light of the requirements of Rule 129X(1)(c) and the nature of the matter, requires additional time to complete its assessment. The Panel has requested that the 30-day period provided for in Rule 129X(1)(b) be extended to 90 days.

In light of the limitations of the current Rule 129X(1)(b), and in accordance with Rule 6, the Speaker hereby frames the following sub-rule:

129X(3)

(a) Notwithstanding rule 129X(1)(b), the Speaker may, at the request of the panel and on good cause shown, extend the time period referred to in that rule to such later period as the Speaker may determine, which extended period may not exceed 90 days from the date of appointment of the panel.

(b) In the event that the panel requests a further extension beyond the period contemplated in paragraph (a), the Assembly may, on good cause shown, determine such an extended period.

**Determination of period for independent panel to report**

In accordance with Rule 129X(3), the Speaker hereby extends the period within which the independent panel must report from 30 days to 90 days, calculated from 25 November 2020.

# National Council of Provinces

## The Chairperson

## 1. Bills passed by Assembly and transmitted to Council for concurrence

(1) Bill passed by National Assembly and transmitted for concurrence on 4 December 2020:

(a) **Second Adjustments Appropriation Bill** [B 25 - 2020] (National Assembly – sec 77).

The Bill has been referred to the **Select Committee on Appropriations** of the National Council of Provinces.

## 2. Referral to Committees of papers tabled

(1) The following paper is referred to the **Select Committee on Finance** and **Select Committee on Cooperative Governance and Traditional Affairs, Water and Sanitation and Human Settlements** for consideration:

(a) The State of Local Government Finances and Financial Management as at 30 June 2019.

# TABLINGS

## National Assembly and National Council of Provinces

### 1. The Minister of Communications and Digital Technologies

**Please Note**: The following report has been submitted to Parliament for tabling on 4 November 2020:

(a) Report and Financial Statements of the Independent Communications Authority of South Africa (ICASA) for 2019-20, including the Report of the Auditor-General on the Financial Statements and Performance Information for 2019-20.

### 2. The Minister of Human Settlements, Water and Sanitation

(a) Report and Financial Statements of the Housing Development Agency (HDA) for 2019-20, including the Report of the Independent Auditors on the Financial Statements and Performance Information for 2019-20.

### 3. The Minister in The Presidency

(a) Technical Indicator Descriptions of the Revised Annual Performance Plan of The Presidency for 2020/21.

# COMMITTEE REPORTS

## National Assembly

# 1. The Budgetary Review and Recommendations Report (BRRR) of the Portfolio Committee on Health, dated 2 December 2020

## Contents

**The Budgetary Review and Recommendations Report (BRRR) of the Portfolio Committee on Health, dated 2 December 2020**

The Portfolio Committee on Health (the Committee), having assessed the performance of the Department of Health (the Department) against its mandate and allocated resources, reports as follows:

## 1. INTRODUCTION

The Money Bills Procedures and Related Matters Amendment Act (No. 9 of 2009) sets out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national Department. The Portfolio Committee compiles a Budgetary Review and Recommendation Report (BRRR) which is a performance assessment of how the public health sector has used allocated resources. Based on the assessment, recommendations are made to inform effective, efficient and economic use of allocated resources. The BRRR takes into account the following:

- Medium-term estimates of expenditure;
- Sector strategic priorities and measurable objectives;
- Prevailing strategic plans;
- Expenditure reports relating to the Department published by National Treasury in terms of Section 32 of the Public Finance Management Act (PFMA) (No.1 of 1999);
- Financial statements and annual reports of the Department;
- Reports of the Committee on Public Accounts relating to the Department; and
- Any other information requested by or presented to a House or Parliament.

### *1.1. Purpose of the report*

This report summarises a presentation received from the Department focusing on its 2019/20 Annual Report. The report details the deliberations, observations and recommendations made by

the Committee relating to the Department's financial and non-financial performance in the 2019/20 financial year.

### *1.2. Process*

In assessing the performance of the Department of Health and its Entities for the financial year 2019/20, the Committee reviewed and analysed the following reports and/or documents:

- 2019 Estimates of National Expenditure;
- Strategic Plan of the Department of Health (2015/16 – 2019/20);
- Annual Performance Plan of the Department of Health (2019/20);
- Annual Report of the Department of Health (2019/20); and
- Report of the Auditor General South Africa (2019/20).

On 11 November 2020, the Portfolio Committee on Health engaged with the Auditor-General of South Africa (AGSA) on the audit outcomes of the Department and its entities.

On 18 November 2020, the Portfolio Committee on Health and the Select Committee on Health and Social Services engaged the Department on its 2019/20 Annual Report.

## 2. STRATEGIC OVERVIEW 2019/20

### 2.1. Sustainable Development Goals

The health sector is guided by the United Nations (UN) Sustainable Development Goals (SDGs). The SDGs recognise that the health system must ensure healthy lives and promote well-being for all, at all ages (by 2030). It is envisaged that this would be achieved through the following:

- Putting in place social protection systems and measures.
- Reducing maternal mortality to less than 70% per 100 000 live births.
- Ending preventable deaths of new-borns and children under-5 years of age; and epidemics such as AIDS, TB and malaria.

- Reducing one-third of premature mortality from non-communicable diseases.
- Strengthening the prevention and treatment of substance abuse, including the harmful use of alcohol.
- Improving road safety for all, and halve the number of deaths and injuries caused by road traffic accidents.
- Ensuring access to sexual and reproductive health care services, and rights.
- Attaining universal health coverage.
- Maintaining ecosystems, and reducing the number of death and illnesses caused by hazardous chemicals and pollution.

## 2.2. Strategic Priorities of Government

### 2.2.1. National Development Plan

The National Development Plan (NDP) forms an integral part of policy plans within all government departments, including the Department of Health, charting a path to prosperity and improving the lives of all South Africans within various sectors. The NDP articulates nine health-related goals that broadly endorse a health system that raises life expectancy, reduces infant mortality and the occurrence of HIV and AIDS, and significantly lowers the burden of disease.

The NDP identifies demographics, burden of disease, health systems and the social and environmental determinants of health as the key areas for intervention required to improve the health system in the country. The nine health goals have been identified in the NDP are as follows:

- Raised life expectancy of South Africans to at least 70 years
- Progressively improved TB prevention and cure
- Reduced maternal, infant and child mortality
- Significantly reduced prevalence of non-communicable diseases
- Reduced injury, accidents and violence by 50% from 2010 levels
- Completed health system reforms
- Established primary healthcare teams to provide care to families and communities

- Implemented universal health coverage
- Filled posts with skilled, committed and competent individuals

### 2.2.2. State of the Nation Address (SONA)

As it was an election year, there were two States of the Nation Address in 2019. The February 2019 SONA highlighted the following main health-related issues:

- The first Presidential Health Summit, hosted in October 2018 brought together key stakeholders from a wide range of constituencies in the health sector. Participants engaged each other on the crisis in the health system and proposed immediate, short- and medium-term solutions to improve the effectiveness of the health system.
- The National Health Insurance (NHI) Bill will be ready to be submitted to Parliament soon. NHI is envisaged to reduce inequality in access to health care by enabling South Africans to receive free services at the point of care in public and private quality-accredited health facilities. An NHI and quality improvement War Room has been established in the Presidency consisting of various key departments to address the crisis in the public health system, while preparing for the implementation of the NHI.
- A funded multi-pronged national quality health improvement plan for public health facilities to improve every clinic and hospital, will be contracted by the NHI.

The President identified the following health-related issues in the June 2019 State of the Nation Address:

- Address capacity at hospitals and clinics, and long waiting times for medication.
- Highlight Human Resources for Health (HRH) issues and shortages of doctors and nurses.
- Young people will be employed in social economy jobs such as health care.
- Improve ambulance services, including obstetric care.
- Complete and use the Presidential Health Summit Compact to address the crisis in clinics and hospitals.

- Revise the NHI Implementation Plan, including accelerating quality of care initiatives in public facilities, building human resource capacity, establishing the NHI Fund structure, using technology and remote medicine, and costing the administration of the NHI Fund.
- Intensify the 90-90-90 Strategy to end HIV as a public threat and to stem the rising HIV infection rates amongst young women, and low rates of men testing and starting treatment for HIV. The goal is to have at least 2 million more people on treatment by December 2020.

### 2.3. Strategic Priorities of the Department of Health

The Department's five-year strategic goals are in line with the SDGs and NDP Goals. They are to:

- Prevent disease and reduce its burden and promote health.
- Make progress towards universal health coverage through the development of NHI scheme, and improve the readiness of the health facilities for its implementation.
- Re-engineer primary healthcare by: increasing the number of ward-based outreach teams, contracting general practitioners, and district specialist teams; and expanding school health services.
- Improve health facility planning by implementing norms and standards.
- Improve financial management by improving capacity, contract management, revenue collection and supply chain management reforms.
- Develop an efficient health management information system for improved decision-making.
- Improve the quality of care by setting and monitoring national norms and standards, improving system for user feedback, increasing safety in health care, and by improving clinical governance.
- Improve human resources for health by ensuring adequate training and accountability measures.

## 3. NATIONAL TREASURY RESPONSE TO THE 2018/19 BRR RECOMMENDATIONS

*Recommendation 1: The National Treasury and the Department of Health should allocate part of the 2018/19 MTEF health infrastructure allocations to gradually set-off expenditure accruals which have arisen from unavoidable demands for which allocated budgets were depleted.*

In its response the National Treasury, concedes that accruals incurred by provincial health departments have increased significantly in recent years, exceeding R13.3 billion as at 31 March 2019. According to the National Treasury, provincial departments require a more systematic and sustainable way of addressing rising accruals. The National Treasury, together with the NDoH, has developed a Health Action Plan that includes developing accruals intervention strategies and aligning procurement and cash-flow plans.

*Recommendation 2: The National Treasury should ensure that the framework for health infrastructure conditional grants accommodate flexibility during periods of protracted fiscal constraint so that provinces can be allowed to re-orientate their package of available capital allocations towards maintenance.*

The National Treasury indicated that infrastructure is partly funded through the provincial equitable share, which provinces use at their discretion. The conditional grant framework does not limit redirecting capital allocations to maintenance. National Treasury notes that when redirecting funds to maintenance, it is important to consider the stages and cash flows of currently funded projects to ensure there are funds for contractually committed infrastructure projects.

*Recommendation 3: The NDoH and National Treasury should provide adequate funding to the Office of the Health Ombud in line with the recently approved structure for better reporting and functionality.*

The National Treasury indicated that it will support reprioritisation from areas that will not negatively affect service delivery.

## 4. REPORT OF THE AUDITOR GENERAL OF SOUTH AFRICA (AGSA)

### 4.1. Department and entities

The Auditor General of South Africa reported that overall the health portfolio has regressed from the previous financial year. The Department received an unqualified audit opinion, with material findings. The Department has, for the last nine consecutive years obtained an unqualified audit opinion. Three entities, Council for Medical Schemes (CMS), National Health Laboratory Service (NHLS) and the Office of Health Standards Compliance (OHSC), received unqualified audit opinions with findings. The AGSA indicated that financial statement preparation remains a concern as material adjustments were effected to annual financial statements submitted for audit by the Department and NHLS.

The SAMRC maintained its clean audit, due to effective controls in place and oversight by the assurance providers. The OHSC has regressed from a clean audit to unqualified with findings, this was due to inadequate controls in recording and reporting its performance information. The South African Health Products Regulatory Authority (SAHPRA) and the Compensation Commissioner for Occupational Diseases (CCOD) did not submit their financial statements for the year under review.

Irregular expenditure increased from R37 million to R69 million this financial year. The main contributors to irregular expenditure was the Department, incurring R54 million, followed by the CMS (R14 million), and NHLS (R776 000). The AGSA reported that the nature of irregular expenditure was due to non-compliance with key legislation.

The AGSA reported on the three root causes for poor performance including, slow response or no response to improving key controls and addressing risk areas; inadequate consequences for poor performance and transgressions; and instability or vacancies in key positions The AG recommends that leadership and senior management of the Department and entities, exercise oversight regarding financial and performance reporting and compliance as well as internal controls; implement proper record keeping, prepare accurate and complete financial and performance reports and monitor compliance with applicable legislation relating to Supply Chain Management.

### 4.2. Provincial Departments

AGSA reported that Provincial Departments of Health did not submit their financial statements for the year under review.

## 5. PERFORMANCE OF THE DEPARTMENT 2019/20

This section provides an overview and assessment of the reported financial and non-financial performance of the Department for 2019/20.

The Department is structured into six programmes, namely:

- Programme 1: Administration
- Programme 2: National Health Insurance (NHI)
- Programme 3: Communicable and Non-Communicable Diseases
- Programme 4: Primary Health Care (PHC) Services
- Programme 5: Hospital Systems
- Programme 6: Health System Governance and Human Resources

### 5.1. Financial Performance

For 2019/20, the Department received a budget of R51.195 billion, of which it spent R50.773 billion (as shown in Table 1). This constitutes expenditure of 99.2%, up from 98.1% expenditure rate in the previous financial year. The Department underspent its allocated budget by R422.4 million or 0.8%.

**Table 1: Appropriation statement 2019/20**

| Programme R'000 | | 2019/20 | | | 2018/19 | | |
|---|---|---|---|---|---|---|---|
| | | Final Appropriation | Actual Expenditure | Over/under expenditure | Final appropriation | Actual expenditure | Over/under expenditure |
| 1 | Administration | 588 743 | 542 426 | 46 317 | 610 308 | 546 981 | 63 327 |
| 2 | National Health Insurance | 1 999 789 | 1 840 046 | 159 743 | 1 729 397 | 1 192 205 | 537 192 |
| 3 | Communicable & Non-Communicable Diseases | 22 851 142 | 22 713 512 | 137 630 | 20 801 184 | 20 698 172 | 103 012 |
| 4 | Primary Health Care | 219 651 | 216 857 | 2 794 | 204 552 | 199 354 | 5 198 |
| 5 | Hospital Systems | 20 432 634 | 20 413 709 | 18 872 | 19 340 266 | 19 192 800 | 147 466 |
| 6 | Health System Governance and Human Resources | 5 103 204 | 5 046 221 | 56 983 | 4 822 667 | 4 765 073 | 57 594 |
| | **TOTAL** | **51 195 163** | **50 772 771** | **422 392** | **47 508 374** | **46 594 585** | **913 789** |

*Source: Department of Health, adapted*

The largest amount of under expenditure, representing 37.8% of the Department's total under-expenditure, is reported in *Programme 2*: *National Health Insurance* which underspent by R159.7 million (7.9 %) of the programme's budget.

*Programme 1: Administration* underspent by R46.3 million which is 7.8% of the programme's available budget, and 10.9% of the total under-expenditure.

*Programme 3: Communicable and Non-Communicable Diseases* underspent by R137.6 million which is 0.6% of the programme's budget, representing 32.6% of the total departmental under-expenditure.

*Programme 6: Health System Governance & Human Resources* underspent by R56.9 million which is 1.2% of the programme's budget, which is 13.5% of the total under-expenditure.

In terms of economic classification, expenditure on Compensation of Employees (COE) amounted to R830.9 million (96.7%) of the COE budget allocation of R859.3 million. This was due to vacancies not being filled. Approximately, 21% of the Goods and Services budget allocation was not spent. This amounted to R345 million of the R1.6 billion budget allocation remaining unspent. Purchase of Capital assets was allocated R835.2 million, but only R794.5 million (95.1%) was spent.

Approval was given for a total of R171.7 million to be veered after the Adjustments budget by the Director General (DG). This included amongst others R104.2 million within Goods and Services, R41.3 million within Purchase of capital assets and R20.8 million from Machinery and Equipment to Goods and Services. National Treasury approved virements including R339.3 million as increase in conditional grants, R25 million from Goods and Services, and R314 300 from Purchase of capital assets, R21 million from Condom allocation towards COVID-19. In terms of roll-overs, R89.3 million in funds were rolled over for medical equipment for hospitals in Limpopo.

### 5.1.1. Performance per Programme

- **Programme 1: Administration –** This programme was allocated R588.7 million and spent R542.4 million (92.1%) up from 89.9% expenditure rate in the previous year. Under expenditure totalled R46.3 million.
- **Programme 2: National Health Insurance (NHI) –** This programme recorded improved spending compared to the previous financial year. It was allocated nearly R2.0 billion, of which only R1.84 billion or 92% was spent. This means the programme underspent by approximately R160 million.
- **Programme 3: Communicable and Non-Communicable Diseases –** This programme was allocated R22.851 billion (up from R20.699 billion) and spent R22.714 billion, which is a 99.4% expenditure rate. Under-expenditure amounted to R137.6 million. The vast majority, 98.1% of this programme's budget (R22.409 billion) was allocated to the HIV and AIDS sub-programme. Only R15.7 million is allocated to Women's Maternal and Reproductive Health, and R41.0 million is allocated to Health Promotion and Nutrition. The relatively small TB budget declined from R25.2 million in 2018/19 to R24.4 million in 2019/20.
- **Programme 4: Primary Health Care (PHC) Services –** The budget allocation for this programme decreased from R 279.7 million in 2018/19 to R219.7 million in 2019/20 with expenditure of R216.9 million (98.7%).
- **Programme 5: Hospital Systems –** This programme has spent nearly 100% (R20.414 billion) of its R20.433 billion allocated funds. This is in keeping with the previous financial years' spending pattern.

- **Programme 6: Health System Governance and Human Resources –** This programme has spent 98.9 % of its appropriated funds, amounting to R5.046 billion.

## 5.2. Non-Financial (Service Delivery) Performance

Table 2, below, provides an overview of the number of targets achieved and not fully achieved. It also indicates the percentage of budget spent. Overall, the Department's performance appears to have declined compared to the previous financial year. During the 2019/20 financial year, the Department achieved only 33 out of 71 of its set targets (46.5%), compared to the 2018/19 financial year when it achieved 23 out of 53 targets set (49%).

**Table 2: Programme Performance Overview**

| | 2019/20 | | | | | 2018/19 | |
|---|---|---|---|---|---|---|---|
| **Programme** | **Number of targets** | **Achieved** | **Not fully achieved** | **Targets Achieved 2019/20** | **Budget Spent 2019/20** | **Targets Achieved 2018/19** | **Budget Spent 2018/19** |
| 1. Administration | 3 | 1 | 2 | 33.3% | 92.1% | 0% | 89.9% |
| 2. National Health Insurance | 12 | 8 | 4 | 66.7% | 92.0% | 50% | 70.5% |
| 3. Communicable & Non-Communicable Diseases | 16 | 9 | 7 | 56.3% | 99.4% | 33% | 99.7% |
| 4. Primary Health Care | 16 | 7 | 9 | 43.8% | 98.7% | 73% | 88.7% |
| 5. Hospital Systems | 8 | 2 | 6 | 25% | 99.9% | 42% | 99.2% |
| 6. Health System Governance and Human Resources | 16 | 6 | 10 | 37.5% | 98.9% | 67% | 98.8% |
| **Total** | **71** | **33** | **38** | **46.5%** | **99.2%** | **49%** | **98.1%** |

*Source: Department of Health 2020, adapted*

### 5.2.1. Performance per Programme

This section provides an analysis of the performance of the Department under each of its six main programmes. The analysis focuses particularly on the overarching targets and achievements under each programme and highlights some of the challenges that prevented the Department from achieving these target.

**Programme 1: Administration –** This programme achieved only one (33.3%) of the three planned targets for 2019/20. The notable targets under the programme during the period under review include the following:

- The Department met its target of achieving an unqualified audit opinion. The AGSA identified material misstatement of capital commitments in the financial statements and thus the Department received an unqualified audit opinion in 2019/20.
- The Eastern Cape, Free State, and Mpumalanga Provincial Departments of Health received qualified audit opinions which meant that the Department failed to reach the target of 5 Provincial DOH that demonstrate improvements in audit with no significant matters for 2018/19. It should be noted that due to COVID-19, a number of Provincial Departments of Health Financial statements are still outstanding and may yet show an improvement in audit outcome.
- Only three, not all Provincial Departments of Health as targeted, implemented claim management system to manage medico legal claims. This was attributed to late approval for the Case Management System.
- The Department had a vacancy rate of 14.9% due to budget cuts on COE effected by National Treasury. The Department aims to embark on a robust reprioritisation process to ensure that critical posts are filled, and posts that cannot be accommodated are abolished.

**Programme 2: National Health Insurance** – Out of the 12 planned targets, the Department achieved 8 or 66.7%, up from 50% in 2018/19. The reasons given for this deviation were as follows: (1). Key positions in the NHI office were not filled due to the NHI bill not being finalised; (2). General Practitioners (GPs) Contracting Capacitation model could not be implemented this year due to challenges with the reimbursement model; and (3). Training on the Medicines Stock Out System was halted due to COVID-19 and changes in training approach such that NHI training could not be expanded.

Targets achieved include the following:

- A comprehensive package for district hospitals was established as per the planned target. Three thousand seven hundred and seventy-two (3 772) health facilities reported stock availability at national surveillance centre against the set target of 3725.

- The Department achieved its target of implementing the early warning system for medicine stock-outs.
- Thirty-six facilities with automated e-Prescription and dispensing system was implemented against the planned target of 25 facilities.
- A total of 3 381 731 patients were enrolled for receiving medicine through the CCMDD programme and the actual target was 3 million.
- The Department planned to maintain 3 220 primary health facilities (PHC) and 22 hospitals for the period under review and 3059 PHC facilities and six hospitals were maintained.
- The Department further reported that it will attend the 2020/21 public hearings on the NHI Bill that will be arranged by the respective committees of Parliament. A proposed organogram of the Department including NHI Office was prepared and submitted to the Department of Public Service and Administration during 2019/20 financial year and that discussions on filling of posts for the NHI Office will continue between Health and the Department of Public Service and Administration (DPSA) during the 2020/21 financial year. The Department further reported that local training of district teams on NHI will resume once COVID-19 has subsided.

**Programme 3: Communicable and Non-Communicable Diseases –** In programme 3, the Department fully achieved only 9 out of 16 targets or 56.4%. this is up from its achievement of only 2 out of 6 targets or 33.3% in the previous financial year. The number of targets in this programme has been reduced significantly over the past few years, from 57 in 2015/16 to 6 last financial year, increasing to 16 in 2019/20. The Department spent nearly its entire budget (99.4%), but achieved only a 56.3% of its targets fully.

The Department did not achieve the target related to Medical Male Circumcisions (MMCs) with only 531 988 out of a targeted 600 000 performed. Further, the District Mental Health Teams target of 20 additional districts with mental health teams established was not attained, with only 17 established. A new indicator, the number of patients with mental health problems consulted by contracted psychiatrists or psychologists was not implemented. The reason cited is the contract with the service provider was cancelled.

The TB budget declined from R25.2 million in 2018/19 to R24.4 million. TB is a critical programme as it is regarded as the leading cause of death in South Africa. Failure to treat TB means that patients infect others, and also are liable to contracting drug resistant TB (DR- TB) multi drug resistant (MDR) or extreme drug resistant (XDR) TB which are exponentially more expensive and difficult to treat.

**Programme 4: Primary Health Care –** In terms of performance, eight (8) out of 11 targets or 72.7% (previous financial year 20 out of the 25 targets or 80%) were fully achieved. About 118 (target 80) District Hospital Boards were trained to implement the handbook for governance structures. Provinces with dedicated resources for recruitment, orientation, and training of hospital boards performed better than those without. About 41% of 3400 Primary Health Care (PHC) facilities (target 45%) were accessible to people with disabilities. Approximately 1 906 PHC facilities (target 1 800) qualify as Ideal Clinics.

Only 10 (target 20) points of entry were compliant with International Health Regulations (IHR) 2005 core capacity requirements. This is a critical indicator as evidenced by the COVID-19 pandemic, and needs to be monitored closely.

All 9 provinces were monitored for compliance with the EMS regulations using the approved checklist annually and 9 EMS improvement plans revised accordingly.

Only 4 559 (target 1 000 000) chronic patients provided feedback via the Patient Satisfaction Assessment App. The reason for deviation is that the Application (App) is not fully implemented at all health facilities with only the Proof of Concept implemented at 388 facilities.

**Programme 5: Hospital Systems** – The number of targets for this programme has decreased from 29 in 2017/18, 19 in 2018/19 to only 8 in 2019/20. Only two (2) of the eight (8) targets (25%) were achieved. This is despite having spent nearly the entire budget for the programme. The two indicators which were achieved are, 37 facilities compliant with Infrastructure Norms and Standards; and 100 facilities maintained, repaired and/or refurbished through the Equitable Share and HFRG in Districts.

In 2019/20, the AGSA did not find any material findings on the usefulness and reliability of the reported performance information in Programme 5. This has been a long-standing challenge in this programme and must be noted as an achievement.

Indicators not achieved include, amongst others:

- Baseline assessments at only 49 hospitals (target 61) conducted using the Ideal Hospital Framework;
- Only 41 clinics and CHCs constructed or revitalised (target 60);
- Only 20 hospitals revitalised (target 36); and
- The Draft implementation plans for improvement of 10 Central hospitals organisational structures were not costed as planned.

**Programme 6: Health System Governance and Human Resources –** The number of targets for this programme has increased from 3 in 2018/19 to 16 in the year under review. Six (6) of the 16 targets (37.5%) were achieved.

The eHealth Strategy 2020-2025 was published as targeted. A handbook for Board members serving on public health entities and statutory professional council which was developed in 2018/19 was not implemented as planned.

The NAPHISA (National Public Health Institutes of South Africa) Bill was processed by both houses of Parliament on 25 February 2020 and sent to the President for assent. The policy for community service was not reviewed.

### 5.2.2. Human Resources

The Department reports that it had a total of 1 434 permanent posts filled, out of 1 755 approved posts which represents a vacancy rate of 14.9% (compared to previous year's vacancy rate of 13.3%). In the Senior Management Services (SMS), the highest vacancy rates were experienced at level 14 (35.3%, n= 12) and level 13 (18%, n=24, up from 10 in 2018/19).

## 6. COMMITTEE OBSERVATIONS AND FINDINGS

The Committee made its observations and raised key concerns during its deliberations, including:

**Overall performance and reporting**

- The Committee welcomed the 2019/20 Annual Report of the Department, acknowledging that the COVID-19 pandemic has brought an unprecedented crisis which had implications on the work of the Department, coupled with the challenges related to the Civitas building.
- The Committee is however concerned that the performance of the Department in meeting its set targets has declined from achieving 49% in 2018/19 to achieving 45% in 2019/20 financial year. Expenditure spending of the Department has increased from 98.1% in 2018/19 to 99.2% in 2019/20.
- The Committee is of the view that there is a lack of correlation between the budget spent and achievement of set targets. The Committee noted its concern in relation to Programme 2, that the number of targets have been reduced from 27 to 12 in 2018/19 and only 8 of these were achieved and spent 92% of its budget.

**Audit Outcomes**

- The Committee appreciates that the Department has obtained an unqualified audit opinion for nine consecutive years. However, urged the Department to move from an unqualified report to a clean audit.
- In terms of entities, the Committee notes and commends the SAMRC for maintaining a clean audit. The Committee noted with concern the regression of the OHSC as well as outstanding audit reports of the CCOD and SAHPRA.
- The Committee noted the shortcomings identified by the AGSA in the 2019/20 audit outcomes. Specific concerns include the following:
    - the reliability of performance information;
    - findings on irregular expenditure;
    - non-compliance issues around annual financial statements;
    - internal controls deficiencies;
    - inadequate record keeping;

  - procurement processes not being followed; and
  - inadequate consequence management.
- The Committee raised concern in relation to the outstanding financial statements of Provincial Departments of Health and emphasised the need for the Department to monitor how the grants and transfers to the provinces were spent.

**Financial matters**

- The Committee expressed concern over under-expenditure which amounted to R422.4 million, given that some public health facilities are not in good condition.
- The Committee noted with concern the irregular expenditure amounting to R69 million, which was incurred due to procurement processes not being followed.

**Observations per Programme**

- **Programme 1: Administration**
  - The Committee noted with concern that six Provincial Departments of Health did not implement the claim management system to manage medico-legal claims.
  - The Department had a vacancy rate of 14.9% due to funding constraints and the shifting of funds, the Committee expressed concern over the high vacancy rate.
  - The Committee noted with concern that some of the entities and Provincial Departments of Health were lagging behind in terms of performance.
  - The Committee sought an update on the recruitment of unemployed university graduates.

- **Programme 2: National Health Insurance (NHI)**
  - The CCMDD programme was lauded by the Committee as a step in the right direction towards the NHI, noting that nearly 3.4 million patients have been enrolled on the programme.
  - The Committee noted the implementation of the NHI patient beneficiary registry and highlighted the need for a national electronic registration system.

- In relation to the NHI Phase 1 Evaluation Report, the Committee enquired on whether the Department was implementing the lessons identified in the report.

- **Programme 3: Communicable & Non-Communicable Diseases**
  - The Committee was concerned that under the mental health programme, 99% of the budget had been spent, yet not a single target was achieved. The Committee indicated that mental health remains one of the key areas of healthcare because of the consequences and impact of COVID-19 and in light of what had happened at Life Esidimeni.
  - The Committee brought to the attention of the Department the need to address the findings of the Commission for Gender Equality (CGE) on forced sterilisation of women living with HIV/AIDS.

- **Programme 4: Primary Health Care**
  - The Committee was concerned that only 12.8% of the targets were achieved under the Primary Health Care programme. The Committee highlighted that primary health care was a key and optimal arena of health care service delivery, however, it was concerning that primary health care infrastructure remains dilapidated coupled with a lack of mobile units (particularly in the Northern Cape).
  - The Committee expressed concern that some community health workers had not received stipends, and there were promises of increases and permanent positions that the Department had not delivered on.
  - The Committee stated that EMS was the backbone of a successful healthcare system, however, improvements in this area had not fully permeated on the ground. Disparities remain in service provision in rural versus urban areas.
  - The Committee was concerned that targets relating to the Human papilloma virus (HPV) programme were not achieved and that budgets were significantly cut, impacting the roll-out of awareness campaigns.

- **Programme 5: Hospital Systems**
  - The Committee noted with concern, that there was slow progress in the construction of new hospitals, only one hospital was constructed (in KwaZulu-Natal).
  - On the delays in the revitalisation and refurbishment of healthcare facilities, the Committee noted this with concern and enquired about the reasons for these delays.
  - In relation to the infrastructure that had been built for Covid-19, the Committee enquired whether the Department had plans to repurpose some of the infrastructure to be reintegrated into the health system to ensure seamless healthcare services. The Committee was of the view that this could be used as an opportunity to improve access and infrastructure in many of the areas that were lacking in health services.

- **Programme 6: Health System Governance and Human Resources**
  - In relation to the delays in the internship placement of foreign-trained health professionals, the Committee said this was concerning considering the dire need for health professional at hospitals and clinics, and that these delays were causing further delays in essential service delivery to communities.
  - Inadequate safety and security for health workers and patients in public health facilities, was raised sharply by the Committee.
  - The Committee expressed concern around inadequate access to DNA laboratories for victims of gender-based violence and other crimes, thus denying them a recourse to justice.

## 7. RECOMMENDATIONS

The Portfolio Committee recommends that the Minister of Health should consider the following:

*Improve audit outcomes* -

- Ensure that all provincial department submit their annual financial statements to the AGSA for the 2019/20 audit.

- Institute measures to address the root causes identified by the AGSA in order to obtain a clean audit.
- Present to the Committee a turnaround plan to address the recurring issue related to quality and reliability of data as reported by the Auditor General for the past several years.
- Provide a detailed plan to the Committee demonstrating how it will assist provinces to improve audit outcomes. The detailed plan should be provided to the Committee on a quarterly basis.
- Provide systems to assist provincial departments to develop internal controls and instruments to monitor and eliminate irregular, wasteful and fruitless expenditure in reducing inefficiencies.

*Strengthen financial management* -

- The Department should provide the Committee with a quarterly report on consequence management arising from non-compliance with PFMA regulations.

*Invest in electronic systems to improve efficiency in health establishments* -

- Ensure greater investment in Information Technology (IT) personnel and infrastructure in order to move towards a national electronic information system.

*Strengthen health care services*

- The Department should prioritise mental health care and have clear programmes aimed at strengthening the provision of mental health care services.
- The Department should get additional funding to ensure continuity of the HPV programme.
- Ensure that HIV positive patients get their medication on time at public health facilities.
- Ensure that provinces expand and strengthen EMS staff complement and build capacity, increase ambulance fleet and vehicles, in order to improve on the waiting time.
- Ensure that safety and security measures are strengthened in public health facilities to ensure the safety of health professionals and patients.
- Strengthen and expand access to DNA laboratories for victims of gender-based violence and other crimes.

- Present to the Committee a progress report on all infrastructure revitalisation and refurbishment projects.
- The Department should fast-track the placement of foreign-trained health professionals.
- Provide the Committee with a progress report on the provincial implementation of the National Community Health Care Workers Policy.
- Ensure that all Community Health Workers are permanently employed by the Department, across the country.
- The Department should submit a comprehensive report on progress made in the implementation of the NHI, successes and challenges thereof, as well as to ascertain the country's readiness for its roll-out.
- Implement the recommendations of the CGE's report on forced sterilisation of women living with HIV/AIDS and that a progress report is submitted to the Committee on a quarterly basis, on how the Department is addressing this issue.

*Strengthen support provided to the CCOD to enhance its functionality -*

- Ensure that the CCOD improves on the submission of annual reports and financial statements to the AGSA.

*Reduce the number of medico-legal cases and costs thereof -*

- Improve on patient care experience.
- Ensure there is appropriate and adequate professional staffing in health establishments.
- National and provincial Treasuries should assist provincial departments in dealing with accruals and medico-legal claims which are depleting departments' budgets.

*Ensure alignment of spending trends with performance –*

- The Department should present an analysis of the cost-effectiveness of its performance, given that on many measures, nearly the entire budget is spent, but performance is poor. Targets should be designed with a clear idea of the most accurate data source for that measure. If the Department cannot accurately measure the impact of a particular programme, it will not know if it is having a positive impact on health in the country.

Furthermore, targets should be designed taking into account the method of data collection and its reliability.

## 8. CONCLUSION

The Portfolio Committee is deeply concerned about the misalignment in the reporting of the Department's annual report targets read against their financial reports. The AGSA made some concerning assertions about the Department's audit regression and the department themselves admitted to a regression in some of their own targets. The Portfolio Committee will seek to have separate joint meetings with the AGSA and the Department in order to scrutinise its performance against the audit outcomes and actual targets and priorities.

The role of the Portfolio Committee is to hold the executive to account to word and deed**.**

Report to be considered.

# 2. REPORT OF THE PORTFOLIO COMMITTEE ON HIGHER EDUCATION, SCIENCE AND TECHNOLOGY ON THE 2020/21 SECOND-QUARTER PERFORMANCE REPORT OF THE DEPARTMENT OF HIGHER EDUCATION AND TRAINING, DATED 4 DECEMBER 2020

The Portfolio Committee on Higher Education, Science and Technology (hereinafter referred to as the Committee), having considered the 2020/21 second quarter performance report and the Department of Higher Education and Training (hereinafter referred to as the Department), reports as follows:

## 1. INTRODUCTION

Section 5 (1) (c) of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009) determines that the National Assembly (NA), through its committees, must annually assess the performance of each national department in relation to the expenditure report of the said department published by the National Treasury in terms of section 32 of the PFMA.

The Portfolio Committee conducts an oversight function over the Department and it is responsible for closely monitoring the progress made with regard to the achievement of financial and non-financial performance of the Department against its pre-determined objectives and targets. The quarterly assessments of the Department's financial and non-financial performance also assist the Committee in its preparation for the annual submission of the budgetary review and recommendation report (BRRR) as determined by section 5 (2) of the Money Bills Amendment Procedures and Related Matters Act, 2009 (Act No. 9 of 2009).

To give effect to the requirement of Section 5 of the Money Bills Act, the Committee considered the 2020/21 second quarter performance report of the Department on 17 November 2020.

## 2. OVERVIEW AND ASSESSMENT OF THE DEPARTMENT'S SECOND-QUARTER FINANCIAL AND SERVICE DELIVERY PERFORMANCE

### 2.1. Overview of the second quarter allocation and expenditure

**Table 1: Budget allocation and expenditure for the second quarter of the 2020/21 financial year**

| Programme | Main Appropriation R'000 | Special Adjusted Appropriation R'000 | Q2 Actual Expenditure R'000 | Expenditure as % of available budget % | Q2 Projected expenditure % | Underspending R'000 | % Underspending R'000 |
|---|---|---|---|---|---|---|---|
| Administration | 491.2 | 445.5 | 173.5 | 38.9% | 201.6 | 28.1 | 13.9% |
| Planning, Policy and Strategy | 214.5 | 198.1 | 86.6 | 43.7% | 93.7 | 7.2 | 7.6% |
| University Education | 80 083.4 | 79 177.7 | 67 079.2 | 84.7% | 68 437.9 | 1 358.8 | 2.0% |
| Technical and Vocational Education and Training | 13 813.6 | 13 074.2 | 5 407.6 | 41.4% | 5 617.2 | 209.6 | 3.7% |
| Skills Development | 318.5 | 300.1 | 134.2 | 44.7% | 144.2 | 9.9 | 6.9% |
| Community Education and Training | 2 522.9 | 2 514.0 | 1 012.5 | 40.3% | 1 254.9 | 242.3 | 19.3% |
| **Sub-total** | **97 444.0** | **95 709.6** | **73 893.6** | **77.2%** | **75 749.5** | **1 855.9** | **2.5%** |
| **Direct charges** | **19 412.9** | **11 290.5** | **4 533.9** | **40.2%** | **7 207.0** | **2 673.1** | **37.1%** |
| SETAs | 15 530.3 | 9 032.4 | 3 637.1 | 40.3% | 5 765.6 | 2 128.5 | 36.9% |
| NSF | 3 882.6 | 2 258.1 | 896.8 | 39.7% | 1 441.4 | **544.6** | **37.8%** |
| **Total** | **116 856.9** | **107 000.1** | **78 427.5** | **73.3%** | **82 956.5** | **4 529.0** | **5.5%** |

Source: National Treasury, 2020

The Department's total budget after the special adjustments amounted to R107,00 billion, from an initial appropriation R116,86 billion. The budget was comprised of R97,70 billion of voted funds and R11,29 billion of direct charges against the National Revenue Fund. At the end of the second quarter of 2020/21, the Department had spent R78,42 billion, against the projected expenditure of R82,95 billion, inclusive of the direct charges against the National Revenue Fund. Excluding the direct charges, the Department's expenditure amounted to R73,89 billion, or 77.2% of the available budget of R95.70 billion. Underspending at the end of the quarter amounted to R1,85 billion or 2.5%, due to the delays in the transfers of earmarked grants to

universities in respect of block grants and earmarked grants that were not transferred as projected. Other contributing factors were vacant posts that could not be filled and reduced spending on operational expenditure due to Covid-19 restrictions.

Expenditure on goods and services for the second quarter amounted to R105,6 million against the projected expenditure of R205,6 million or 19.2% of the available budget. Underspending amounted to R100,1 million, translating into an underspending of 48.7% of the quarterly projected expenditure. This was attributed to a marked slowdown in activities due to the lockdown. Expenditure on transfers and subsidies at the end of the second quarter, including direct charges against the National Revenue Fund, amounted to R73,98 billion. The Department recorded an underspending on transfers and subsidies on voted funds amounting to R1.37 billion or 1.9% of the projected quarterly expenditure.

### 2.1.2. Overview and assessment 2020/21 Second-Quarter service delivery performance

For the quarter under review, the Department had six planned targets shared amongst the four budget programmes, namely: Administration, University Education, Skills Development and Community Education and Training. The overall performance at the end of the quarter was 50%, achieving three of the six targets.

**(i) Programme 1: Administration**

The purpose of this programme is to provide strategic leadership, management and support services to the Department. The programme had one target for the quarter under review, which was achieved. The Department received an unqualified audit opinion from the Auditor-General of South Africa (AGSA) and developed a remedial plan to address the audit findings. During the Quarter, the programme had no planned targets. At the end of the Second-Quarter, the programme had spent R173,5 million against the projected expenditure of R210,6 million, with lower than projected spending amounting to R28,1 million or 13.9% of the quarterly projected expenditure. The underspending was ascribed to lockdown restrictions, which impacted on the filling of vacant funded posts and department operational expenditure items such as operating leases, travel and subsistence, training and development of employees, hiring of venues and usage of facilities.

**(ii) Programme 2: Planning, Policy and Strategy**

The programme aims to provide strategic direction in the development, implementation and monitoring of departmental policies and the human resource development strategy for South Africa. There were no planned targets due for reporting during the quarter under review. The programme had spent R86,6 million or 43,7% of the available budget, with lower than projected expenditure amounting to R7,2 million, or 7.6% of the quarterly projected expenditure. This was ascribed to the delays in the filling of vacant funded posts and limited operational activities due to lockdown restrictions.

**(iii) Programme 3: University Education**

The programme aims to develop and coordinate policy and regulatory frameworks for an effective and efficient university education system and to provide financial and other support to universities, the National Student Financial Aid Scheme and national higher education institutions. For the quarter under review, the programme had two targets planned. The performance was 50%, achieving one of the two planned targets. The Department did not achieve the target on the number of Intergovernmental International Scholarships Forum meetings convened annually due to lockdown. The Department stated that the meeting had been rescheduled to take place during the third quarter.

The programme had spent R67,07 billion or 84.7% of the available budget, translating into a lower than projected expenditure amounting to R1,35 billion, or 2.0% of the quarterly projected expenditure. The lower than projected spending was attributed to the delays in the transfer payments to higher education institutions for the block grant and earmarked grants to universities: University Capacity Development Grant (UCDG), Historically Disadvantaged Institutions Development Grant (HDIG) and University Infrastructure and Efficiency Grant (UIEG). These grants could not be processed as initially projected because the universities failed to submit their audited reports on time. The Department stated that the payments have been rescheduled to be processed in the Third-Quarter of 2020/21.

**(iv) Programme 4: Technical and Vocational Education and Training**

The programme aims to plan, develop, implement, monitor, maintain and evaluate national policy, programmes, assessment practices and systems for TVET. For the quarter under review, the programme had no planned targets.

The programme had spent R5,41 billion or 41.4% of the available programme budget, translating into a lower than projected expenditure amounting to R209,6 million, or 3.70% of the quarterly projected expenditure. The underspending was attributed to vacant funded posts that could not be filled as projected due to the limited operational activities under lockdown restrictions and delayed receipt of claims from examiners and moderators for services already rendered in 2019/20 financial year and August 2020.

**(v) Programme 5: Skills Development**

The programme aims to promote and monitor the National Skills Development Strategy, develop skills development policies and regulatory frameworks for an effective skills development system. In the Second-Quarter, the programme had two targets, of which one was achieved. The target that was not achieved was the 40-days average lead time from qualifying trade test applications received until trade test is conducted. The Department stated that trade test applications received for testing could not be measured due to lockdown restrictions. However, a process was underway to deal with the backlog of candidates that were already booked, but could not be tested during the lockdown.

At the end of the second quarter, the programme had spent R134,2 million against the projected expenditure of R144,2 million, with lower than projected spending amounting to R9,9 million or 6.9% of the quarterly projected expenditure. The underspending was ascribed to vacant funded posts not filled as projected as well as operational expenditure items such as inventory materials and supplies, travel and subsistence and business advisory services due to limited operational activities under lockdown restrictions.

**(vi) Programme 6: Community Education and Training**

The purpose of this programme is to plan, develop, implement, monitor, maintain and evaluate national policy, programme assessment practices and systems for community education and training. The programme had one target during the quarter under review and was not achieved as planned. The target of bi-annual report on teaching and learning improvement plans was not achieved because the monitoring of teaching and learning could not take place due to the lockdown and as a result, the monitoring report could not be produced as planned.

At the end of the second quarter, the programme had spent R1,01 billion against the projected expenditure of R1,25 million, with lower than projected spending amounting to R242,3 million or 19.3% of the quarterly projected expenditure. The underspending was mainly as a result of

delayed receipt of claims for the remuneration of Community Education and Training (CET) College lecturers, vacant posts as a result of post provisioning norms and standards not yet been finalised and difficulties in securing suitable candidates.

## 4. OBSERVATIONS

The Committee, having considered and deliberated on the 2020/21 Second-Quarter performance report of the Department, made the following key observations and findings:

### 4.1. Programme 1: Administration

4.1.1. The Committee commended the Department for making it mandatory that candidates get their foreign qualifications evaluated by the South African Qualifications Authority (SAQA) prior to applying for the advertised posts.

4.1.2. The projected underspending on compensation of employees due to the Department of Public Service Administration (DPSA) Circular to halt the recruitment process during the lockdown level 5 and 4 was noted.

4.1.3. The delays by the Minister in providing the information requested by the Committee was noted as a concern.

### 4.2. Programme 2: Planning, Policy and Strategy

4.2.1. The recurring reasons for variance in terms of non-achievement of targets was noted with great concern. This may be an indication that mechanisms put in place to address the causes for underachievement in the previous quarters are not followed through.

4.2.2. The Committee expressed its concern with regard to the planning and reporting of the targets by the DHET in the quarter under review. The Committee advised the Department to evenly distribute the setting of targets in each quarter to avoid the over concentration of the targets in the last two quarters of the financial year.

4.3.4. The Committee was generally concerned about the recurring under-achievement of set targets by the Department which reflected lack of consequence management for poor performance. For the quarter under review, only 50% of the targets set were achieved.

### 4.3. Programme 3: University Education

4.3.1. The bulk of the R79 billion budget in the University Programme is apportioned to the universities and the National Student Financial Aid Scheme (NSFAS). However, there is a challenge of adequate accountability of the institutions. The Department indicated

there were regulations to hold institutions accountable and that it had monitoring and evaluation programmes to support higher education institutions (HEIs).

4.3.2. The Committee expressed a concern about the few targets reported under the University Education (UE) programmes for the quarter under review. The Department indicated that it had 33 targets for the UE programme for 2020/21, and only two for the quarter under review. Progress on the achievement of the other targets would be reported in the remaining two quarters of 2020/21.

**4.4. Programme 5: Skills Development**

4.4.4. The Committee was concerned about the non-achievement of the target to have 40-days lead time to process trade test applications received for testing and its impact of this on the employability and self-employment of those who require trade test certificates, given that no trade tests were conducted in the first and second quarter of 2020/21 due to the lockdown. The Department indicated that it had tested 386 candidates who have applied before lockdown and subsequent to the easing of the lockdown, the Department received 121 applications, which would be processed during the months of November and December 2020. The majority of the trades affected included diesel mechanics, electrician, fitting and turning.

4.4.2. The impact of the four months' skills levies payment holiday on the performance of the Skills Development programme targets, especially placements for work-based learning and artisan development was noted with great concern. The Department noted that the skills development programme lost R6 billion as a result of the four months' skills payment holiday.

**4.5. Programme 6: Community Education and Training**

4.5.1. The Committee was concerned that the target on the report on monitoring of teaching and learning in the sector was not achieved. The Department stated that monitoring could not take place during the lockdown and it could not be done retrospectively as it is a real-time event.

**5. Summary**

The Department's total budget after the special adjustments amounte to R107,00 billion, from an initial appropriation R116,86 billion. At the end of the Second-Quarter of 2020/21, the Department had spent R78,42 billion, against the projected expenditure of R82,95 billion or

73.3% of the available budget, inclusive of the direct charges against the National Revenue Fund. Overall underspending at the end of the quarter amounted to R4,52 billion (R1,85 billion of voted funds and R2,67 billion from direct charges against the National Revenue Fund) or 5.5% of the projected quarterly expenditure.

The Department had achieved 50% of the six planned targets. The nationwide lockdown to respond to the impact of Covid-19 impacted on the achievement of the targets. Remedial plans have been put in place to address the causes of underachievement.

**6. Recommendations**

The Committee, having considered and deliberated on the 2020/21 second quarter performance report of the Department, recommends that the Minister of Higher Education, Science and Innovation consider the following:

6.1. The Minister should comply with the constitutional obligation to account to Parliament, by ensuring that requests for information sent to the Ministry are responded t, in order enable the Committee to exercise its oversight function over institutions in the PSET system.

6.2. The Department should improve its spending to avoid reprioritisation by National Treasury of funds meant for the expansion of access to and success in education and training to other priorities of the government.

6.3. The Department should monitor implementation of remedial plans to address underachievement of targets.

6.4. There should be an engagement within the PSET sector on institutional autonomy and accountability of higher education institutions.

6.5. The Department should expedite the processing of trade test applications to ensure that production of artisans is accelerated.

6.6. The Committee plans to conduct an oversight visit to the Community Education and Training (CET) Colleges and Learning Centres.

Report to be considered.

# 3. Report of the Portfolio Committee on Higher Education, Science and Technology on the consideration of the Financial and Non-Financial Performance of the 2020/21 Second Quarter of the Department of Science and Innovation, dated 4 December 2020.

The Portfolio on Higher Education, Science and Technology, having considered the Financial and Non-Financial Performance of the 2020/21 Second Quarter of the Department of Science and Innovation, reports as follows:

## 1. Introduction

Section 5 of the Money Bills Amendment Procedure and Related Matters Act (9 of 2009) (hereafter, the Money Bills Act), as amended by Act 13 of 2018, requires the National Assembly, through its committees, to annually assess the performance of each national department. This culminates in a committee submitting a Budgetary Review and Recommendation (BRR) Report where the committee may make recommendations on the forward use of resources to address the implementation of policy priorities and services, as the relevant department may require additional, reduced or re-configured resources to achieve these priorities and services.

To give effect to the requirement of Section 5 of the Money Bills Act, the Portfolio Committee on Higher Education, Science and Technology (hereafter, the Committee), on 17 November 2020, considered the 2020/21 second quarter financial and non-financial performance of the Department of Science and Innovation (hereafter, the Department or DSI) against the Department's predetermined objectives and targets.

## 2. Department of Science and Innovation

The 2019 White Paper on Science, Technology and Innovation, which seeks to specifically enhance the role of innovation, now sets the current long-term policy direction for the National System of Innovation (NSI) and seeks to ensure an increasing role for science, technology and innovation (STI) to accelerate inclusive economic growth, increase the competitiveness of the economy, and improve the livelihoods of South Africa's citizens.

The Department, building on the successes of the previous period and to ensure that the NSI expands its positive impact on reducing poverty, inequality and unemployment as envisioned by the 2019 White Paper, identified the following six outcomes for the period 2020-2025:

**Outcome 1: A transformed, inclusive, responsive and coherent NSI**

Outcome 1 seeks to improve the contribution of the NSI to achieving the goals of the NDP. The key driver of these contributions will be the Decadal Plan, which will define the critical missions that South Africa will pursue during the period 2020-2030. The four outcome indicators against which performance will be measured are:

i) Percentage increase in the number of formalised partnerships between different category actors of the NSI that advance Decadal Plan priorities;
ii) Number of STI missions introduced and adopted by Cabinet that crowd in resources and capabilities across the NSI;
iii) Percentage increase in the investment support by government that advances gross expenditure on research and development (GERD) towards 1.1% of GDP (revised down from former target of 1,5%); and
iv) Number of approved strategies that give effect to the agreed dimensions of transformation to be effected in the NSI.

**Outcome 2: Human capabilities and skills for the economy and for development**

Outcome 2 seeks to further address the lack of transformation within the NSI. Hence, the Department will continue as well as expand the transformation agenda in all its science focus areas. The Department's agenda targets four levels of transformation; namely, spatial, institutional, demographic and transdisciplinary transformation. The five outcome indicators against which performance will be measured are:

i) Number of Department-funded PhDs graduating annually as a contribution to the NDP target of 100 PhDs per million population by 2030;
ii) Number of artisans and technicians absorbed into the economy in sectors where DSI has active programmes;
iii) Percentage increase of women and black researchers in South Africa's Research workforce;

iv) Percentage increase of PhD-qualified teaching and research staff; and
v) Improved knowledge about science among the general public.

**Outcome 3: Increase knowledge generation and innovation output**

Outcome 3 seeks to increase South Africa's research productivity, currently 0.88% of global share, to 1% of global output. The three outcome indicators against which performance will be measured are:

i) Increase South Africa's share of global publication outputs;
ii) Percentage increase in prototypes, technology demonstrators, pilot plants that advance industrialisation through innovation; and
iii) Percentage increase in patent and design applications filed from publicly financed research and development (R&D).

**Outcome 4: Knowledge utilisation for economic development in (a) revitalising existing industries and (b) stimulating R&D-led industrial development**

Outcome 4 seeks to drive economic development through various initiatives associated with the sectoral masterplans and revitalised industrial strategy. The four outcome indicators against which performance will be measured are:

i) Rand value of research, development and innovation (RDI) investment attracted to support RDI needs identified through the sectoral masterplans process;
ii) Percentage increase in Small, Medium and Micros Enterprises (SMMEs) or Co-operatives whose performance has improved or who have secured new opportunities through support provided by the Department and its entities;
iii) Percentage increase in the commercialisation of granted IP rights from publicly-funded R&D; and
iv) Number of new R&D-led industrial development opportunities initiated by the Department.

**Outcome 5: Knowledge utilisation for inclusive development**

Outcome 5 seeks to advance the vision of an inclusive and responsive NSI that provides equitable access to the country's knowledge infrastructure, and supports the broader concept of innovation. The two outcome indicators against which performance will be measured are:

i) Grassroots innovations whose commercialisation has been facilitated by the support / access of the multi-tiered support package provided by the Department and its entities; and
ii) Publicly-funded IP made available (accessible) in support of grassroots innovators.

**Outcome 6: Innovation in support of a capable and development state**

Deploying national STI interventions is a challenge because the Department does not have a concurrent function within provincial and local government. However, the Department contributes to the development of an innovation ecosystem and a capable and developmental state via its Regional Innovation Support programmes. Outcome 6 seeks to increase the spatial footprint of innovation support so that innovation will enable localised socio-economic development. The four outcome indicators against which performance will be measured are:

i) Increase in the number of use cases of decision support systems;
ii) Number of demonstrators that have successfully introduced a new way of delivering a service;
iii) Number of districts / metros supported with technology-based applications as part of the District Development Model for Service Delivery Improvement; and
iv) Evidence informed integration of innovation in service delivery.

The Department's original 2020/21 budget allocation increased from R8.1 billion in the 2019/20 financial year to R8.8 billion. This represented, when adjusted for inflation, a real increase of 3.1%; and was the first real increase in the Department's budget allocation since the 2015/16 financial year. In terms of economic classification, the apportionment of the Department's 2020/21 budget allocation of R8.8 billion remained the same as in previous years and comprised Current payments of R632.5 million (7.2%), Transfers and subsidies of R8.2 billion (92.8%) and Payments for capital assets of R2.8 million (0.03%).

The 2020/21 Special Adjustment Budget revised the Department's 2020/21 budget allocation from R8.8 billion to R7.36 billion. The total funds suspended for COVID-19 purposes amounted to R1.76 billion, where R324 million had been reprioritised for the Department's COVID-19 interventions. Hence, the total net downward revision of the Department's budget allocation equalled R1.44 billion, and comprised R40 million from Compensation of

employees, R53.4 million from Goods and services and R1.34 billion from Transfers and subsidies (Table 1). The budget cut to Transfers and subsidies comprised R295 million from the Parliamentary grant transferred to entities and R1.05 billion from transfers to specific projects and programmes. The latter amount constituted 72.9% of the total cut to the Department's budget.

The apportionment of the Department's revised 2020/21 budget allocation across its five Programmes (as well as the economic classification) remained more or less the same, and these Programmes continue the priorities of strengthening and expanding STI human capital development and ensuring that innovation and knowledge underpin the government's growth strategy. Hence, Programmes 2 (19%), 4 (52%) and 5 (24%) that are responsible for the transfers to the Department's entities; still received 94% of the Department's total budget allocation. Within the Programmes, the largest net adjustment of R1.07 billion was effected on Programme 4: Research, Development and Support because it is allocated the largest share (52%) of the Department's total budget; R1.8 billion of Programme 4's budget was earmarked for infrastructure projects that would now be delayed due to COVID-19 measures; the other programmes had already redirected substantial amounts of their current budget to support COVID-19 initiatives; and most of Programme 4's projects reported surpluses from the 2019/20 allocation. It is hoped that these surpluses will sustain these projects for the remainder of the 2020/21 financial year; however, this will be monitored and assessed mid-year.

### 2.1. 2020/21 Second Quarter – 1 July 2020 to 30 September 2020

At the end of the second quarter, the Department spent R3.7 billion or 50.4% of the available budget. This translates to R944 million or 20.3% slower spending against the projected expenditure of R4.7 billion for the quarter. The underspending is mainly attributable to slow spending of transfers and subsidies within the Research, Development and Support and Socioeconomic Innovation Partnerships Programmes due to the delayed implementation of various projects.

The Department achieved 20 (61%) and did not achieve 13 (39%) of the planned 33 performance targets for the quarter under review. The reason for a large number of the targets that were not achieved was ascribed to the COVID-19 lockdown and its effect on operations and productivity. Furthermore, ongoing and worsening staff capacity issues, as well as the

current review of section 11D of the Income Tax Act, continues to hamper the administration of the Research and Development Tax Incentive.

**Programme 1: Administration**: Actual expenditure for the second quarter amounted to R107.6 million or 33.8% of the Programme's available budget of R318.3 million for the financial year, representing a variance of R40.7 million or 24.7% underspending of the projected spending for the second quarter. The underspending is attributable to slow spending due to the COVID-19 pandemic. Programme 1 achieved two of the four performance targets for Quarter 2.

**Programme 2: Technology Innovation**: Actual expenditure for the second quarter amounted to R653.3 million or 47.5% of the Programme's available budget of R1.4 billion for the financial year, representing a variance of R39.3 million or 5.7% underspending of the projected spending for the second quarter. The variance was mainly on transfers and subsidies due to the non-transfer of the South African National Space Agency and the Hydrogen Strategy Capital projects in the months in which expenditure was originally planned. Programme 2 achieved two of the three performance targets for Quarter 2.

**Programme 3: International Cooperation and Resources**: Actual expenditure for the second quarter amounted to R30.6 million or 25.2% of the Programme's available budget of R121.1 million for the financial year, representing a variance of R31.7 million or 50.9% underspending of the projected spending for the second quarter. The variance was mainly on transfers and subsidies. In addition, the COVID-19 national lockdown has drastically limited the attendance of meetings abroad and equally the hosting of meetings. Programme 3 achieved four of the eight performance targets for Quarter 2.

**Programme 4: Research, Development and Support**: Actual expenditure for the second quarter amounted to R2.1 billion or 53.9% of the Programme's available budget of R3.8 billion for the financial year, representing a variance of R580.6 million or 22% underspending of the projected spending for the second quarter. The variance was mainly due to transfer and subsidies on the following:

- South African Radio Astronomy Observatory: delays in the finalisation of the consolidated contract;

- Research and Development Infrastructure: delays in signing of the contract by the entity; and
- Square Kilometre Array: delays in transferring funds to allow the process of reprioritisation to be finalised.

Programme 4 achieved eight of the 11 performance targets for Quarter 2.

**Programme 5: Socio-Economic Innovation Partnership:** Actual expenditure for the second quarter amounted to R864.3 million or 48.9% of the Programme's available budget of R1.7 billion for the financial year, representing a variance of R251.8 million or 22.6% underspending of the projected spending for the second quarter. The variance was mainly due to transfers and subsidies on the following:

- Information Communication Technology: The Data Science for Impact Decision and Enablement was not be paid due to the cancellation of the programme in 2020/21, funds will be reallocated within the ICT projects;
- The Office of the Digital Advantage and the Block Chain projects: projects were delayed due to the slow spending by the programme;
- Environmental Innovation: The Water Research Council submitted a revised business plan in response to the risk mitigation measures being implemented by the Directorate: Environmental Services and Technologies with regard to the effect of COVID-19 on outputs. A submission to amend the contract in view of the unforeseen impact of the pandemic has been routed; and
- Advanced Manufacturing Technology Strategy: The Manufacturing Indaba was postponed to December 2020 due to COVID-19, delaying the payment process.

Programme 5 achieved four of the seven performance targets for Quarter 2.

**COVID-19 Spending**

From the COVID-19 funds, expenditure was mainly under consumable supplies, for example: sanitisers, sanitiser dispensers, masks, etc. With the move to level one of the COVID-19

lockdown and the return to office, the Department is anticipating improvement on spending as more activities become operational.

**Compensation of Employees**

Spending on compensation of employees was R155.2 million against a projected adjusted appropriation of R382 million. This translates to underspending of R25.6 million or 6.7%. The Department had a year-end headcount of 373 posts against a total of 470 funded posts, resulting in 97 vacancies.

## 3. Committee Observations

The Committee made the following observations in relation to the financial and non-financial performance for the 2020/21 Second Quarter:

**3.1.** Members made congratulatory remarks to the Director-General and the Department for their performance and the accolades they achieved.

**3.2.** Members asked about the written responses for outstanding matters, viz. an explanation for the irregular expenditure incurred during 2019/20 and the timeframe and plan for completion of the Decadal Plan, raised by the Committee.

**3.3.** Members raised their concern about the less than 1% spent on procuring services and goods from small and medium enterprises, in particular those owned by black females and persons with disabilities

**3.4.** Members urged the Department to include and support more persons with disabilities in their STI programmes, especially the blind.

**3.5.** Members noted with concern that the Chief Financial Officer (CFO) for the Department of Science and Innovation has been appointed as the interim CFO for the Department of Higher Education and Training until a suitable candidate for the position is found.

## 4. Committee Recommendations

The Portfolio Committee on Higher Education, Science and Technology, having considered the financial and non-financial performance of the Department of Science and Innovation for the 2020/21 Second Quarter, recommends that:

**4.1.** The written responses to outstanding matters be provided to the Committee as soon as possible.

**4.2.** The Department ensure that its Procurement Strategy adequately and fairly includes small and medium enterprises, in particular those owned by black females and persons with disabilities. The Committee will monitor this expenditure when the Department delivers the next quarterly performance brief.

**4.3.** The Department ensures the fair and representative inclusion of persons with disabilities in its STI programmes and initiatives.

Report to be considered.