The Budgetary Review and Recommendations Report (BRRR) of the Portfolio Committee on Health, dated 24 November 2021

Contents

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The Portfolio Committee on Health (“the Committee”), having assessed the performance of the National Department of Health (“the Department”) and Entities against their 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 and annual performance plans of the Department;
- Prevailing strategic plans and annual performance plans of Entities;
- 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;

- Financial statements and annual reports of the Entities;
- Reports of the Committee on Public Accounts relating to the Department; and
- Any other information requested by or presented to Parliament.

1.1. Purpose of the report

This report summarises a presentation received from the Department and Entities focusing on the 2020/21 Annual Reports and financial statements. The report details the deliberations, observations and recommendations made by the Committee relating to the Department and Entities' financial and non-financial performance for the 2020/21 financial year.

1.2. Process

In assessing the performance of the Department of Health and Entities for the financial year 2020/21, the Committee reviewed and analysed the following reports and/or documents:

- 2020 Estimates of National Expenditure;
- Strategic Plan of the Department of Health and Entities (2020/25);
- Annual Performance Plan of the Department of Health and Entities (2020/21);
- Annual Report of the Department of Health (2020/21);
- Annual Report of the Council for Medical Schemes (2020/21);
- Annual Progress Report of the Compensation Commissioner for Occupational Diseases (2020/21);
- Annual Report of the South African Health Products Regulatory Authority (2020/21);
- Annual Report of the South African Medical Research Council (2020/21);
- Annual Report of the National Health Laboratory Services (2020/21);
- Annual Report of the Office of Health Standards Compliance (2020/21);
- Annual Report of the Office of the Health Ombud (2020/21);
- Report of the Financial and Fiscal Commission (2020/21); and
- Report of the Auditor-General South Africa (2020/21).

On 10 November 2021, the Committee engaged the Auditor-General of South Africa (AGSA) on the audit outcomes of the Department and Entities, and the Financial and Fiscal Commission (FFC) on its analysis of the annual reports of the health sector.

On 10 to 19 November 2021, the Committee engaged the Department and Entities on their 2020/21 annual reports and financial statements.

1.3. Report of the Financial and Fiscal Commission

The Financial and Fiscal Commission (FFC) reported that actual spending on COVID-19 special appropriation amounts to R612 million for the 2020/21 financial year. The actual expenditure showed an over-expenditure in transfers and subsidies for the COVID-19 vaccine roll-out at 5.5% of the total departmental budget. The FFC noted that movement of funds between programmes and sub-programmes needs to be made clearer to ensure function-funding alignment.

The FFC noted with concern that government had spent at least R351 million on corruption investigations, as this money could have been diverted to spending on pressing matters of social and economic development.

The FFC made the following recommendations in relation to the Department and the health sector:

- The Department should adhere to procurement and budget processes to ensure effective management of contracts and related payments, and refrain from unnecessarily outsourcing services when more cost-effective intergovernmental services can be used.

- There is a need to prioritise the development of an integrated national information system of patient, doctor registries and vaccination, with real-time data.
  - To inform health care financing and provisioning decisions using the demand-based costing methodology;
  - To reduce administration for South Africans in relation to the vaccination programme; and
  - It will keep the public informed on the recent developments of the vaccination roll-out.
- There is a need to re-examine the prescribed Primary Health Care package based on the needs of the people.
- There should be an examination and eradication of inefficiencies such as wastage, corruption and leakages as a result of the two-tiered health care system.
- The Ministers of Health and Finance must ensure that an enabling policy and legislative framework, aligned to the spheres of government is put in place. This is in relation to setting norms and standards that are enforced with proper oversight by the established technical committees.

1.4. Report of the Auditor General of South Africa

The Auditor General of South Africa (AG) reported that the overall outcomes in the health portfolio have improved slightly in comparison to the previous year, with one audit (Office of Health Standards Compliance (OHSC)) moving from unqualified with findings to unqualified with no findings.

The Department received an unqualified audit opinion, with material findings. The South African Medical Research Council (SAMRC) maintained its audit outcome of unqualified with no findings on performance reporting and compliance with legislation. The control environment at South African Health Products Regulatory Authority (SAHPRA) improved significantly, resulting in no findings on performance reporting. The only matter remaining relates to the prior year misstatements not corrected that had a possible impact on the current year amounts. The audit of the Compensation Commission for Occupational Diseases (CCOD) is outstanding, as a result of legacy issues. The AG reported that the 2019/20 audit is being finalised. Thereafter, the 2020/21 catch-up audit will commence. The entity's management team plans to submit the 2021/22 financial statements within the legislated date.

The Council for Medical Schemes (CMS), SAMRC and OHSC submitted financial statements that are free from material misstatements. However, the quality of financial statements of the NDOH and the National Health Laboratory Services (NHLS) require urgent attention. According to the AG, these auditees received an unqualified opinion due to adjustments made on material misstatements. Controls relating to financial management and reporting needs to be strengthened to ensure an improved outcome.

The AG expressed concern about the increase in non-compliance with supply chain management prescripts and regulations regarding contract management. This resulted in an increase in irregular expenditure in the portfolio. The AG stated that the root cause of the non-compliance is a lack of consequence management to ensure that action is taken against officials who do not comply with legislation and regulations.

2. STRATEGIC OVERVIEW

2.1. Policy Priorities

The 2020/21 – 2024/25 Strategic Plan of the Department responds to the priorities highlighted in the MTSF 2019-2024. It is aimed at eliminating avoidable and preventable deaths (survive); promoting wellness, and preventing and managing illness (thrive); and transforming health systems, the patient experience of care, and mitigating social factors determining ill health (thrive), in line with the National Development Plan Goals (2030) and the United Nation's objectives of the Sustainable Development Goals (SDGs) for health.

2.1.1. Department of Health Five Year Strategic Goals (2020/21 – 2024/25)

The strategic outcome-orientated goals for the Department for next five years are as follows:

Goal 1: Increase Life Expectancy, improve Health and Prevent Disease
- Improve health outcomes by responding to the quadruple burden of disease of South Africa
- Inter sectoral collaboration to address social determinants of health

Goal 2: Achieve Universal Health Coverage (UHC) by implementing National Health Insurance (NHI) Policy
- Progressively achieve UHC through NHI

Goal 3: Quality Improvement in the Provision of care
- Improve quality and safety of care
- Provide leadership and enhance governance in the health sector for improved quality of care
- Improve community engagement and reorient the system towards Primary Health Care through Community based health Programmes to promote health
- Improve equity, training and enhance management of Human Resources for Health
- Improving availability to medical products, and equipment
- Robust and effective health information systems to automate business processes and improve evidence-based decision making

Goal 4: Build Health Infrastructure for effective service delivery
- Execute the infrastructure plan to ensure adequate, appropriately distributed and well-maintained health facilities to ensure adequate, appropriately distributed and well maintained health facilities

2.1.2. State of the Nation Address (SONA) – 2020

The February 2020 State of the Nation Address (SONA) highlighted the following main health-related issues:
- The President recognised health as being a fundamental condition for growth and development. (This insight is even important given the effect of the COVID-19 on societies and economies around the world, including South Africa.)
- South Africa continues to be impacted by HIV and AIDS. A total of 6.8 million South Africans were tested. Approximately 5 million people have been initiated on antiretroviral treatment, and as a consequence, the HIV viral load of 4.2 million people is undetectable.
- The President noted the enthusiastic support for NHI during the public hearings, and preparations for its implementation are being put in place, following the conclusion of the parliamentary process.
- In preparation for NHI, more than 44 million people at over 3 000 clinics have been registered on the electronic Health Patient Registration System, and are now implementing this system in hospitals.

3. NATIONAL TREASURY REPONSE TO THE 2019/20 BRR RECOMMENDATIONS

The National Treasury responded to the Committee's recommendations for 2019/20 as follows:

Recommendation: National and provincial treasuries should assist provincial departments in dealing with accruals and medico-legal claims which are depleting departments' budgets.

In its response the National Treasury indicated that over the 2021 MTEF period, it has earmarked R73.1 million in the National Department of Health's budget to continue funding medico-legal experts and financial management support of provinces. It was further noted that, where medico-legal claims are merited, experts will assist provinces through mediation or litigation, including assistance with actuarial evaluation of the claim. In addition, support is provided to strengthen general financial management in provinces, including verifying invoices and training officials in areas such as procurement.

4. PERFOMANCE OF THE DEPARTMENT (2020/21)

This section provides an overview of the financial and non-financial (service delivery) performance of the Department for the 2020/21 financial year.

4.1. Financial Performance

For 2020/21, the Department received a budget of R58.1 billion, of which it spent R57.5 billion. This constitutes expenditure of 99.1%, down from 99.2% expenditure rate in the previous financial year. The Department underspent its allocated budget by R548.3 million or 0.9% of the final appropriation. The underspending increased from R422.4 million in the previous financial year. It should be noted that under-expenditure in the Department has increased steadily from R101.2 million (0.3%) in 2016/17, R220.9 million (0.5%) in 2017/18 and nearly R1 billion (R913.8 million or 1.9%) in 2018/19.

The largest amount of under-expenditure representing 50.2% of the Department's total under-expenditure was under *Programme 3: Communicable and Non-Communicable Disease* which underspent by R275.7 million or 1% of the programme budget. This is up from R137.6 million or 0.6% of the programme budget in the previous financial year.

Programme 2: National Health Insurance was the second largest contributor to under-expenditure (32.6 % of the total under-expenditure) as it underspent by R178.6 million or 14.9% (previous financial year R159.7 million or 7.9%) of the programme's budget. *Programme 1: Administration* underspent by R112.6 million which is 17% of the programme's available budget, and 20.5% of the total under-expenditure.

In terms of economic classification, expenditure on Compensation of Employees (COE) amounted to R927.3 million (99.9%) of the COE budget allocation of R928.4 million. With regard to COE, the Department notes that there were vacancies that were not filled, as well as backlogs regarding performance management payments. The Department also noted that there is a backlog of pay progression for two financial years i.e. 2019/20 and 2020/21. This is of great concern, as lack of pay progression, coupled with the grievances staff had with the unsafe Civitas building may combine to affect morale in the Department. The Committee should consider following up on this issue closely.

Goods and Services expenditure amounted to R2 billion or 98% of the budget allocation of R2.5 billion. The reasons for under-expenditure include the lockdown restrictions, as well as the issue of Civitas building, which was closed in September 2020 and rental was withheld.

An amount of R831.1 million or 95.1% was spent on capital payments from the budget of R874.3 million. No reasons for the under-expenditure are provided.

An amount totalling R612.3 million was funded directly from the National Revenue Fund (NRF). This consisted of R462.3 million for COVID-19 vaccine under Goods and Services, and R150.0 million towards research of the effectiveness of the COVID-19 vaccine.

Approval was given for a total of R40.1 million to be veered after the Adjustments budget by the Director-General (DG). This included R36.1 million within Goods and Services, and R4 million within Purchase of capital assets.

No funds were rolled over. R49.7 million was noted as unauthorised expenditure on programmes 4 and 6. Note 11 of the financial statements provides no further details on this other than the Department is awaiting authorisation for this amount.

Table 1: Appropriation statement 2020/21

Programme R'000	2020/21			2019/20		
	Final	Actual	Over/under	Final	Actual	Over/under

		Appropriation	Expenditure	expenditure	appropriation	expenditure	expenditure
1	Administration	663 552	550 965	112 587	588 743	542 426	46 317
2	National Health Insurance	1 200 556	1 021 911	178 645	1 999 789	1 840 046	159 743
3	Communicable & Non-Communicable Diseases	28 161 797	27 886 124	275 673	22 851 142	22 713 512	137 630
4	Primary Health Care	277 085	314 971	(37 886)	219 651	216 857	2 794
5	Hospital Systems	21 219 600	21 188 507	31 094	20 432 634	20 413 709	18 925
6	Health System Governance and Human Resources	6 530 006	6 541 847	(11 841)	5 103 204	5 046 221	56 983
	TOTAL	**58 052 596**	**57 504 325**	**548 271**	**51 195 163**	**50 772 771**	**422 392**

Cumulative fruitless and wasteful expenditure: Amounts to R2.1 million, with R39 000 related to the year under review. Fruitless and wasteful expenditure increased from zero in 2015/16, to R402 000 in 2016/17, R1.1 million in 2017/18, and R2.1 million in 2018/19. Previous years' fruitless and wasteful expenditure was largely constituted by penalties and interest due to a late payment to suppliers, and South African Revenue Service (SARS) penalties. The Department also investigated fruitless and wasteful expenditure from no-shows and penalties from motor vehicle licences, which were renewed late in previous years.

Irregular expenditure: The Department was subject to an investigation of the Special Investigations Unit (SIU) regarding the appointment of Digital Vibes - R132.0 million is reported as irregular expenditure for the year under review. R166.1 million irregular expenditure relates to prior years, with R216 000 being condoned. Irregular expenditure thus totals R298.0 million.

Irregular expenditure for 2020/21 related to, amongst other things:

- R23.0 million (R8.0 million and R15.0 million) to services rendered outside the approved period;
- R14.7 million - Appointment does (not) meet the definition of emergency as per National Treasury instruction note 3 of 2016/17.
- R18.7 million (R18.2 million and R0.5 million) tax compliance at the time of the award could not be verified.

Conditional Grants: Total conditional grants spent was at 97.4% or R51.2 billion against the total adjusted budget of R52.6 billion, below the acceptable norm of 100%. All grants underspent, rollovers were requested. The major contributor to underspending in all the conditional grants is the Health Facility Revitalisation Grant. This was due to poor performance of contractors and the impact of the COVID-19 pandemic. The HIV/AIDS component overspent due to reprioritization of funds to COVID-19 component.

4.2. Non-Financial (Service Delivery) Performance

The Department's performance appears to have increased slightly compared to the previous years. During the financial year under review, the Department achieved 21 out of 43 targets (48.9%) compared to the 2019/20 financial year where the Department achieved 33 out of 71 targets it had set itself (46.5%).

Table 2 below provides an overview of the number of targets that the Department achieved against the targets that it set for itself in the Annual Performance Plan (APP) 2020/21.

In terms of programme performance, *Programme 5: Hospital Systems* appears to be the best performing programme, achieved 100% of its set targets, followed by P*rogramme 2: National Health Insurance* that achieved 66.7%.

Table 2: Programme Performance Overview

	2020/21					**2019/20**	
Programme	**Number of targets**	**Achieved**	**Not fully achieved**	**Targets Achieved 2020/21**	**Budget Spent % 2020/21**	**Targets Achieved 2019/20**	**Budget Spent % 2019/20**
1. Administration	6	2	4	33.3%	83.1%	33.3%	92.1%
2. National Health Insurance	6	4	2	66.7%	85.1%	66.7%	92.0%
3. Communicable & Non-Communicable Diseases	6	2	4	33.3%	99.1%.	56.3%	99.4%
4. Primary Health Care	12	6	6	50%	113.7%	43.8%	98.7%
5. Hospital Systems	4	4	0	100%	99.9%	25%	99.9%
6. Health System Governance and Human Resources	9	3	6	33.3%	100.2%	37.5%	98.9%
Total	**43**	**21**	**22**	**48.9%**	**99.1%**	**46.5%**	**99.2%**

4.2.1. Programme Performance

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.

4.2.1.1. Programme 1: Administration

The programme achieved only two (33.3%) of the six planned targets for 2020/21. It should be noted that the number of targets set in the APP for this programme had fluctuated from eleven (11) in 2015/16, seven (7) in 2017/18, only two (2) in 2018/19, and three (3) in 2019/20.

Four targets relate to the Financial Management sub-programme, specifically audit outcomes, and two targets relate to medico-legal claims. There does not appear to be targets reflecting the Communications sub-programmes. 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 AG noted that controls relating to financial management and reporting need to be strengthened to ensure an improved outcome.
- The Eastern Cape and North West Provincial Departments of Health received qualified audit opinions.

- As was the case in the previous financial year, only three Provincial Departments of Health implemented claim management system to manage medico-legal claims. This was attributed to disruptions due to COVID-19.
- Also a repeated finding from the previous financial year, the Department had a vacancy rate of 15% due to budget cuts on COE effected by the 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.

This programme was allocated R663.6 million and spent R551.0 million (83.1%) down from 92.1% expenditure rate in the previous year. Under-expenditure totalled R112.6 million.

4.2.1.2. Programme 2: National Health Insurance (NHI)

In the year under review, out of the six (6) planned targets, the Department achieved four (4) or 66.7%, which is the same as the previous financial year. Most of the targets were not reached as the NHI legislation is in the legislative processes of Parliament.

The Department reports that during 2020/21, the overall medicine availability was above 85%, and ARV availability was 95%, despite global supply chain disruption due to COVID-19. The Department exceeded the target set for the number of health facilities reporting stock availability at the National Surveillance Centre. It noted that not all facilities in the Western Cape are able to report on the National Surveillance Centre.

The Department also exceeded the number of patients registered for receiving medicines via the Centralised Chronic Medicine Dispensing and Distribution (CCMDD) System, with 4.3 million patients registered against a target of 3.5 million. According to the Department, more patients were enrolled on CCMDD due to COVID-19.

Spending declined in the programme compared to the previous financial year in both actual amount spent and in percentage terms. This is of concern as the budget was reduced from R2 billion in 2019/20 to R1.2 billion in 2020/21, and only R1.1 billion or 85.1% was spent. This represents an under-expenditure of R178.7 million.

4.2.1.3. Programme 3: Communicable & Non-Communicable Diseases

In programme 3, the Department fully achieved only two (2) out of six (6) targets or 33.3%. This is down from its achievement of nine (9) out of 16 targets or 56.4% in the previous financial year. The number of targets in this programme has been reduced significantly over the past few years, from 16 in 2019/20 to six (6) in 2020/21.

The Department achieved targets related to communication: The Side by Side campaign radio shows exceeded its target with 404 radio shows (target: 396 radio shows); and 213 health promotion messages were marketed via social media (target: 100).

The Department did not achieve the targets related to developing 9 Provincial Implementation Strategic Plans for Non-Communicable Diseases (NCDs). It was also unable to achieve the target of 800 (actual: 652) PHC facilities.

There are no targets related to HIV and AIDS, tuberculosis (TB) and mental health.

This programme was allocated R28.2 billion (up from R22.9 billion) and spent R27.9 billion, which is a 99.1% expenditure rate. Under-expenditure amounted to R275.7 million. The vast majority, 99.6%, of this programme's budget (R27.6 billion) was allocated to the HIV and AIDS sub-programme. Only R12.4 million is allocated to Women's Maternal and Reproductive Health, and R30.9 million is allocated to Health Promotion and Nutrition.

4.2.1.4. Programme 4: Primary Health Care

This programme consists District Health Services, Emergency Services and Trauma, and Environmental and Port Health services. In terms of performance, six (6) out of the 12 targets or 50% were fully achieved.

An important intervention to involve the community in oversight of healthcare facilities is the empowerment of clinic committees and hospital boards. To this end, the Department reports that a monitoring system for measuring the effectiveness of clinic committees has been developed and that training material for public hospital boards has also been developed.

The Department did not reach the target of 2 100 PHC facilities qualifying as Ideal Clinics (n=1 444). Nine provinces were assessed for compliance with Emergency Medical Services Regulations.

Nine points of entry were self-assessed as 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.

The budget allocation for this programme increased from R219.7 million in 2019/20 to R277.1 million in 2020/21, with expenditure of R315.0 million (113.7%) i.e. an over-expenditure of R37.9 million.

4.2.1.5. Programme 5: Hospital Systems

The number of targets for this programme has decreased from eight (8) in 2019/20 to four (4) in the financial year under review. All four (4) targets (100%) were achieved, compared to the previous financial year when only two (2) of the eight (8) targets (25%) were achieved. Targets achieved include:

- 55 PHC facilities constructed or revitalised (target: 54);
- 25 Hospitals constructed or revitalised (target: 24);
- 150 public health Facilities (Clinics, Hospitals, nursing colleges, EMS base stations) maintained, repaired and/or refurbished (target: 150); and
- Draft guideline on the Organisational structures for tertiary and regional hospitals developed.

This programme has spent nearly 100% (R21.189 billion (99.9%)) of its R21.220 billion allocated funds. This is in keeping with the previous financial years' spending pattern.

4.2.1.6. Programme 6: Hospital System Governance and Human Resources

The aim of this programme is to develop policies for planning, managing and training of the health sector human resources and the planning, monitoring, evaluation and research sector. It also provides oversight to all health public entities and statutory health professional councils in South Africa. It provides forensic laboratory services.

The number of targets has decreased from 16 in 2019/20 to nine (9) in the year under review. Only three (3) of the nine (9) targets (33.3%) were achieved. Those targets achieved include:

- Four reports produced to monitor the health worker training programme on the use of personal protective equipment (PPE);
- Automated Track and Trace system for COVID-19 implemented; and
- National Health Research priorities identified.

Targets not achieved include:

- Implantation Guideline on the use of Health Patient Registration Number (HPRN) not published;

- Only 76 (target: 500) PHC facilities where the Health Patient Registration System (HPRS) and the National Health Laboratory Service (NHLS) Track care systems are implemented
- Community service policy was not reviewed.

This programme has spent 100.2% of its appropriated funds, amounting to R6.5 billion.

4.2.2. Human Resources

The Department reports that it had a total of 1 394 permanent posts filled, out of 1 943 approved posts which represents a vacancy rate of 15.2% (compared to previous year's vacancy rate of 14.9%). In the Senior Management Services (SMS), the highest vacancy rates were experienced at level 14 (34.4%, n= 11), level 15 (16.7%, n=2) and level 13 (15.5%, n= 13).

5. PERFOMANCE OF ENTITIES (2020/21)

This section provides an overview of the financial performance of Entities for the 2020/21 financial year.

5.1. Council for Medical Schemes (CMS)

The Council for Medical Schemes (CMS) is established in terms of the Medical Schemes Act (MSA) (No. 131 of 1998), as a public entity mandated to regulate the medical schemes industry in South Africa. The main objective is to safeguard the interests of members, thereby, promoting fair and equitable access to private health financing. CMS's mission is to regulate the medical schemes industry in a fair and transparent manner.

5.1.1. Non-Financial Performance

In terms of performance, CMS achieved 48 out of the 53 indicators (90.57%) set. Some of the performance achievements during the financial year include:

- Obtaining an unqualified report by the Auditor-General (AG);
- Percentage of information technology (IT) security incidents (breaches) were 0.75% exceeding the target by 4.25%.
- Information and Communications Technology (ICT) systems up-time were maintained at 99%;
- 100% of category 2 and 3 clinical opinions provided within the targeted (60 and 90 days respectively) number of working days of receipt of request from the Complaints Adjudication unit.
- Increased research outputs published to inform appropriate national health policy interventions
- The following prescribed minimum benefits (PMB) benefit definitions guidelines were published:
    - COVID-19;
    - Chronic lymphocytic leukaemia;
    - Hodgkin's lymphoma;
    - T-cell prolymphocytic leukaemia;
    - Cutaneous T-cell lymphoma;
    - Multiple Myeloma;
    - Acute myeloid leukaemia (AML);
    - Myelodysplastic syndromes (MDS);
    - Myeloproliferative neoplasms (MPN); and
    - Chronic myeloid leukaemia (CML).
- The number of stakeholder awareness activities were more than doubled (target: 25; achieved: 55) when one would reasonably expect this target not to have been reached due to COVID-19 lockdowns.

Table 3: Highlights of some of the CMS Performance Indicators

PROGRAMME	PLANNED TARGET 2020/21	ACTUAL PERFORMANCE 2020/21
1. ADMINISTRATION	Obtain an unqualified opinion issued by the AG	Unqualified opinion achieved
	Ensure that 95% of physical requests for information are responded to within 30 days	Achieved: 95%
	Minimise staff turnover to less than 10% per annum	Not Achieved: 18.3% Staff turnover.
	Average turnaround time of 120 working days to fill vacancies	Achieved: 70.8 days.
	95% of employee performance agreements are signed	Achieved: 100%
	95% of employee performance assessments concluded biannually	Achieved: 99.1%
	Number of written and verbal legal opinions provided to internal and external stakeholders, per year- target 85%	Achieved: 85%
2. STRATEGY OFFICE	The number of benefit definitions published target: 10	Achieved: 10
	Percentage of category 1 clinical opinions reviewed provided target 90%	Achieved: 92.75%
	98% of clinical enquiries received via e-mail or telephone reviewed within 7 days	Achieved: 100%
3. ACCREDITATION	Percentage of Managed Care Organisations (MCOs) applications processed within 3 months, target 100%	Achieved: 100%
	Percentage of applications by administrators and self-administered schemes accredited processed within 3 months, target 100%	Achieved: 100%
4. RESEARCH AND MONITORING	Number of research projects finalised, target 12	Achieved: 12
	One non-financial report submitted for inclusion in the Annual Report	Achieved: one

PROGRAMME	PLANNED TARGET 2020/21	ACTUAL PERFORMANCE 2020/21
5. STAKEHOLDER RELATIONS	25 stakeholder training and awareness sessions conducted	Achieved: 55 sessions were conducted, exceeding set target by 30
	Submit CMS annual report to the Executive Authority by 31 August	Achieved
6. COMPLIANCE AND INVESTIGATIONS	Number of routine inspections finalised if applicable, target: 15	Not achieved: 10 (-5) due to inadequate capacity and COVID-19 lockdown restrictions.
	Percentage of commissioned inspections finalised, target: 80%	Not achieved: 33% (-47%) due to COVID-19 lockdowns which restricted movement.
7. BENEFITS MANAGEMENT	80% interim rule amendments are processed within 14 days of receipt	Achieved: 96.83%
	90% of annual rule amendments are processed before 31 December each year	Achieved: 100% amendments were processed
8. FINANCIAL SUPERVISION	Recommendations in respect of Regulation 29 for 100% of business plans received	Not achieved as zero business plans were received in the period under review.
	Three (3) quarterly financial return reports published	Achieved
	Financial sections prepared for the annual report	Achieved
9. COMPLAINTS ADJUDICATION	70% of complaints adjudicated within 120 working days	Achieved: 76% (+6%)
	70% of complaints adjudicated within 90 working days and in accordance with complaints standard operating procedures	Achieved: 76% (+6%)

Medical Schemes Industry:

- In 2020, there were 76 medical schemes, consisting of 18 open schemes and 58 restricted schemes, down from 144 schemes in 2000, with 97 restricted schemes and 47 open schemes.
- Membership as a percentage of population declined from 16% in 2000 to 14.78% in 2020.
- Overall, the industry declined by less than 2% between 2019 and 2020.
- Medical scheme membership decreased slightly (by 56 910 beneficiaries) during 2020, to end the year with 8.9 million beneficiaries.
- Government Employees Medical Scheme (GEMS) contributed to the increase in restricted schemes and registered 71 463 beneficiaries, with 3.8% year-on-year growth.
- Discovery Health Medical Scheme registered a loss of nearly 50 000 beneficiaries (49 770), followed by Fedhealth (13 015) and Bonitas (12 858).

- The impact of COVID-19 meant that elective procedures were delayed, resulting in lower claims compared to 2019.

Complaints Adjudicated:

- During the reporting period, the CMS received 1 729 new complaints with 1 725 complaints carried over from the previous financial year, totalling 3 454 complaints.
- Two thousand, four hundred and ninety (2 490) complaints were resolved in 2020/21, (versus 3 006 in 2019/20) with 964 complaints carried over to the next financial year.
- The turnaround time for the provision of clinical opinions used in the adjudication of complaints from members and beneficiaries of schemes was significantly improved upon.
- The backlogs of the last few years were cleared and the quality of opinions were greatly improved.
- Several contentious healthcare technologies were adjudicated upon, while ensuring that member and beneficiary entitlements were protected.

5.1.2. Financial Performance

- CMS received a Government grant to the amount of R6.5 million in 2021, up 1% from the R6.4 million received in 2020.
- During this reporting period, the CMS had a total revenue of R179.1 million derived from revenue from exchange transactions (R172.5 million) such as accreditation fees, levies, registration and sundry income, and non-exchange transactions (R6.5 million Government grant) of goods and services.
- The operating expenses for the reporting period amounted to R38.9 million, which is down nearly 20% (18.4 %) from R47.7 million incurred in the previous financial year.
- Considering all income received, the entity experienced an operating deficit of R348 000 compared to a R25.2 million deficit in the previous financial year.
- CMS has an accumulated irregular expenditure of R64.1 million. R59.2 million is carried forward from previous years. R44.2 million submitted to the National Treasury in December 2018 for condonation was not condoned as insufficient information was provided by the CMS. At the time of reporting, the CMS contended that it was reviewing the matter. For 2021, the irregular expenditure amounted to R5.4 million. R4.7 million is related to the CMS having established a panel of lawyers without going through a bidding process; R506 584 relates to awards without following proper processes; and R139 000 due to expansion of scope of work by more than 15% without prior approval.

5.1.3. Audit Report

- The CMS obtained an **unqualified audit opinion** for the financial year under review.
- The AG did not raise any material findings on the usefulness and reliability of the performance information
- The AG found that effective and appropriate steps had not been taken to prevent irregular expenditure. Similar non-compliance was also reported in the prior year.
- The AG further found that management had not adequately monitored compliance with applicable laws and regulations, as well as related internal control as evident by the non-compliance with supply chain management (SCM) prescripts that resulted in irregular expenditure.
- It also found that management had not adequately implemented review controls over performance reporting, as evidenced by material errors identified in the annual performance report and corrected during the audit.

5.2. Compensation Commissioner for Occupational Diseases (CCOD)

The CCOD’s statutory functions include:

- Provision of medical assessments (benefit medical examinations) for eligible current and ex-mineworkers for occupational lung diseases;
- Certification of claims by medical panels;

- Payment of pensions and claims; and
- Collection of revenue (levies on risk shifts in controlled mines and works).

5.2.1. Non-Financial Performance

- Drafting of amendments of ODMWA is currently underway with one consultative workshop held with mining companies and trade unions;
- 13 084 (target 12000) – certifications were finalised on the Mineworkers Compensation System;
- 4 212 (target 7 000) – benefit payments were made by the CCOD (other than pension payments);
- 5 354 (target 7 700) – claims finalised by the CCOD (other than pensioners);
- 81.6% (target 50%) of all claims finalised within 90 days of receipt of claim documents;
- 65% (target 80%) of controlled mines and works paying levies to the CCOD;
- 41 (target 77) – number of controlled mines and works inspected;
- Annual reports for 2014/15, 2015/16 and 2016/17 were submitted to Parliament; and
- The 2017/18 annual report is being audited by the AG and 2018/19 submitted for auditing.

5.2.2. Financial Performance

The CCOD's financial statements for 2020/21 have not been audited, however the entity's spending of voted funds is as follows:

- Cost of Employees (COEs) is below the budgeted amount having spent R34.7 million versus a budgeted allocation of R39.3 million. This indicates a spending of 88% on COE.
- Goods and services overspent by 126%, R19.4 million spent of a budget of R15.4 million.
- Capital expenditure was at 95%, having spent R2.7 million of R2.9 million budget.
- In total, the CCOD underspent by 1%: R60 million spent of a total budget of R61.6million.

5.3. South African Health Products Regulatory Authority (SAHPRA)

The Medicines and Related Substances Act, (No. 101 of 1965), (as amended by Act 72 of 2008, together with Act 14 of 2015), provides for the establishment of SAHPRA, a Schedule 3A public entity, which functions as a separate juristic entity, outside of the National Department of Health. SAHPRA came into existence in February 2018. SAHPRA's mandate includes monitoring, evaluation, regulation, investigation, inspection, registration and control of medicines, scheduled substances, clinical trials,medical devices and related matters in the public interest.

5.3.1. Non-Financial Performance

During the period under review, SAHPRA achieved 14 out of the 27 indicators (52%) set. The performance achievements during the 2020/21 financial year are highlighted below:

Table 4: Highlights of some of SAHPRA's Performance Indicators

PROGRAMME	PLANNED TARGET 2020/21	ACTUAL PERFORMANCE 2020/21
10. ADMINISTRATION	Obtain an unqualified opinion issued by the Auditor-General	Not achieved: Qualified audit opinion obtained
	Total revenue generated (R387 million)	Not Achieved: R268 million
	Total revenue generated from fees (R196.7 million)	Not Achieved: R102 million
	Break-even of expenses and revenue	Not Achieved: -R24.7 million

PROGRAMME	PLANNED TARGET 2020/21	ACTUAL PERFORMANCE 2020/21
	60% of positive ratings for effectiveness and efficiency as rated by private and public users of SAHPRA services	Achieved: 68%
	50% of positive ratings from public perceptions	Achieved: 68%
	50% positive responses in all surveyed dimensions	Not Achieved: Obtained less than 50% in two surveyed dimensions
	Implementation of Medicines Regulatory Quality Management System	Achieved: System developed and implemented
	60% digitisation of SAHPRA processes	Not Achieved: 10% of processes digitised
	100% of prioritised positions filled	Not Achieved: 80% of prioritised positions filled
	Percentage of positions in staff establishment filled (target, 70%)	Achieved: 71%
	25% of staff in core business trained	Achieved: 100%
	Baseline sector thought and regulatory science pieces disseminated	Achieved: 23
	Achieve maturity level 3 (in terms of global best practices)	Not Achieved: The WHO-assisted assessment could not take place due to COVID-19 lockdown restrictions
11. HEALTH PRODUCT AUTHORISATION	40% of applications for medicine registration in backlog cleared	Achieved: 53%
	90% of variation applications cleared	Achieved: 96%
	50% of licences for new applications within set timelines	Achieved: 74%
12. INSPECTORATE AND REGULATORY COMPLIANCE	60% of GMP inspections completed with report submitted to applicant	Not Achieved: 86 inspections conducted and 35 (41%) reports submitted to applicants
	Percentage of health product quality complaints investigated and reports produced (target 70%)	Achieved: 83%
13. MEDICINE EVALUATION AND REGISTRATION	Percentage of registrations of New Chemical Entities finalised within set timelines (target, 60% in 590 days)	Achieved: 100% within 590 days
	Percentage of registrations of generic medicines finalised within set timelines (target, 60% in 250 days)	Not Achieved: 55% within 250 days
	Finalise 85% of applications for the sale of unregistered Category A (Section 21) medicines within 24 working hours	Achieved: 91%
	Finalise 80% of human clinical trial applications within 120 days	Achieved: 83% finalised within 120 days

PROGRAMME	PLANNED TARGET 2020/21	ACTUAL PERFORMANCE 2020/21
	70% of reports on health products safety signals actioned within 20 days	Not Achieved: 43% actioned within 20 days
14. **MEDICAL DEVICE, DIAGNOSTICS AND RADIATION CONTROL**	70% of medical device establishment licence applications finalised within 90 days	Not Achieved: 56% finalised within 90 days
	Develop and implement medical device registration framework	Not Achieved: Due to delays in finalising the submission and publication
	70% of new application licences for ionizing radiation-emitting devices and radioactive nuclides issued within 30 days	Achieved: 85% issued within 30 days

5.3.2. Financial Performance

SAHPRA's total revenue for 2020/21 was estimated at R267.7 million, with R108.2 million from exchange transactions and R159.4 million from non-exchanged transactions. SAHPRA's total expenditure was R292.4 million. A significant portion of SAHPRA's assets for the period under review comprised of newly acquired assets. These amounted to R23.4 million. The acquisitions include other fixed assets (R645 287), computer equipment (R6.7 million), furniture (R7.6 million), leasehold improvements (R6.7 million) and intangible assets (R1.8 million).

By March 2021, SAHPRA had a net asset position of R20.3 million. The current assets (totalled R165.2 million) include cash and cash equivalents of R150.8 million. Current liabilities amounted to R176.6 million, also makes provision for R21.9 million deferred income for the backlog reduction project.

5.3.3. Audit Report

- SAHPRA obtained a ***Qualified Audit Opinion*** due to significant internal control deficiencies.
- The Auditor-General (AG) noted that SAHPRA did not implement proper record keeping to ensure that complete, relevant and accurate information is accessible and available to support financial reporting. Controls over monthly processing and reconciliation of transactions were not implemented. According to the AG, SAHPRA did not review and monitor compliance with applicable legislation. The Committee should pay close attention to these matters.
- On the usefulness and reliability of the performance information, the AG could not identify any material findings on the reported performance information for Programme 4 - Medicine Evaluation and Registration.
- The AG notes that effective and appropriate steps were not taken to prevent irregular expenditure amounting to R6 268 808.
- On procurement and contract management, some of the goods and services with a value below R500 000 were procured without obtaining the require quotations. Similar non-compliance was also reported in the prior year.

5.4. South African Medical Research Council (SAMRC)

SAMRC is mandated by the SAMRC Act (No. 58 of 1991) (as amended) to improve the health and quality of life of South Africans. It does this through research, development and technology transfer.

5.4.1. Non-Financial Performance

By the end of March 2021, SAMRC reported the following achievements.

- Commenced wastewater surveillance system for SARS-CoV-2 in four provinces;
- Supported the National Health Laboratory Service (NHLS) to develop local reagents and testing kits for PCR testing;
- Serves on the Ministerial Advisory Committee on COVID-19, which assists the National Coronavirus Command Council;
- Launched new HIV resistance testing software, *exatype™,* which enables faster, more accurate, and cost-effective testing. The DNA of the virus uses the Next Generation Sequencing (NGS) technology and results are uploaded to a web-based system;
- Provided input during COVID-19 lockdown to various media outlets on possible restrictions for alcohol sales without undermining COVID-19 responses;
- Dedicated R7.5 million to support two projects working in a collaborative network seeking to provide national and international support for COVID-19 surveillance led by the KwaZulu-Natal Research Innovation and Sequencing Platform (KRISP) at University of KwaZulu Natal (UKZN) and Hyrax BioSciences; and
- Trained Community Health Care workers to undertake door-to-door SARS-CoV-2 education and screening and referral to hospitals or isolation facilities in respect to the national active case finding household survey.

Table 5: Performance on set Objectives

IMPACT STATEMENT	PERFORMANCE TARGET 2020/21	FINAL PERFORMANCE 2020/21	FINAL PERFORMANCE 2019/20
Strengthening of corporate governance processes towards an unqualified audit opinion from the Auditor General	A clean audit opinion on the SAMRC from the Auditor-General	Performance target Clean Audit. Annual performance Clean Audit - ***Achieved***	Performance target Clean Audit. Annual performance Clean Audit - ***Achieved***
	Percentage of the government allocated SAMRC budget spent on administration	Performance target 20% of the allocation spent on administration. Annual performance 16% - ***Target Achieved***	Performance target 20% of the allocation spent on administration. Annual performance 19% - ***Target Achieved***
Promote the improvement of health and quality of life (prevention of ill health, improvements in public health and treatment) in South Africa through research.	Number of accepted and published journal articles, book chapters and books by SAMRC affiliated and funded authors.	Performance target 800. Annual performance 1 261**, *Target Achieved***	Performance target 800. Annual performance 1 187**, *Target Achieved***
	Number of accepted and published journal articles by SAMRC grant-holders with acknowledgement of the SAMRC	Performance target 200. Annual performance 281**, *Target Achieved***	Performance target 200. Annual performance 322**, *Target Achieved***
To build an innovation community, developing life changing health solutions for South Africa, Africa and	Number of new innovation and technology projects funded by the SAMRC aimed at developing, testing and/ or implementing new or	Performance target 4. Annual performance 29**, *Target Achieved***	New target

IMPACT STATEMENT	PERFORMANCE TARGET 2020/21	FINAL PERFORMANCE 2020/21	FINAL PERFORMANCE 2019/20
beyond	improved health solutions		
	Number of innovation disclosures made by the SAMRC intramural research and innovation	Performance target 1. Annual performance 1**, *Target Achieved***	New target
To provide research support in the form of funding and supervision to the next generation of scientists in the broad field of health	Number of awards (scholarships, fellowships and grants) by the SAMRC for MSc, PhD, Postdocs and Early Career Scientists.	Performance target 110. Annual performance 144**, *Target Achieved***	Performance target 110. Annual performance 157**, *Target Achieved***
	Number of awards by the SAMRC to Black South African citizens and permanent resident MSc, PhD, Postdocs and Early Career Scientists classified as African	Performance target 90. Annual performance 86**, *Target Not Achieved***	New target
	Number of awards by the SAMRC to MSc, PhD, Postdocs and Early Career Scientists from historically disadvantaged institutions (HDIs).	Performance target 60. Annual performance 38**, *Target Not Achieved***	New target
To contribute to building public and policy-maker understanding of health, drivers of ill-heath, and practice, interventions and technologies that can prevent ill health and strengthen health services and encouraging use of research evidence in policymaker, practitioner and public decision-making.	Number of local or international policies, reports and guidelines that reference SAMRC research	Performance target 5. Annual performance 44**, *Target Achieved***	Performance target 7. Annual performance 44**, *Target Achieved***
	Number of conferences, seminars and continuing development points workshops supported by the SAMRC	Performance target 10. Annual performance 26**, *Target Achieved***	New target

5.4.2. Financial Performance

Revenue generated in 2020/21 increased to R1.169 billion from R1,092 the previous year. In 2020/21, the entity's operating surplus increased significantly from R12.2 million the previous year, to R57.3 million. While investment income declined during 2020/21, the end of the financial year resulted in an overall surplus of R79.2 million.

In terms of the financial status of the entity, accumulated surplus stood on R420.7 million up from R341.5 million the previous year. Also noted is the increase in total assets from R674.8 million the preceding year to R922 million in 2020/21. Total liabilities increased from R333.3 million in the prior year to R501.3 million by end of March 2021. Despite the increase in total liabilities as shown, an in impressive net assets demonstrates sound financial position.

5.4.3. Audit Report

- The Auditor General gave the entity a ***clean audit.*** This is a continuation of its clean audit performance that has been achieved in preceding years.
- The AG did not identify any material findings or non-compliance with the specific matters in applicable legislation;
- The AG did not identify any significant deficiencies with respect to internal controls;
- On fair value, the AG states that the entity did not reclassify any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior period.
- The AG further indicates that the cash at the Reserve Bank includes funds for the Botha Trust; Bruhns Trust; Melville Douglas Trust; Q&S Abdool Karim Trust; FJ Kleynhans Trust; MF Ramashala Trust and Motor vehicle reserve fund

5.5. National Health Laboratory Services (NHLS)

The NHLS is established through the National Health Laboratory Service Act, 2000 (Act No. 37 of 2000), which mandates it to provide cost-effective and efficient health laboratory services to all public healthcare and any private healthcare providers that requests such services. IT has 288 laboratories across the nine provinces of South Africa, serving approximately 80% of the South African population.

By the end of March 2021, NHLS reported marvellous milestones such as follows.

- Generated a surplus of R54.3 million;
- Grew a turnover from R9.3 billion to R10.7 billion;
- Increased assets from a restated R7.0 billion to R7.3 billion;
- Increased revenue for COVID-19 testing amounted to R1.9 billion;
- 19 laboratories received initial accreditation in the year under review;
- Published 673 articles in peer-reviewed journals against a target of 620;
- Obtained an unqualified audit report for the reporting period ending March 2021;
- 52 laboratories maintained or improved their accreditation from the previous year;
- 91 South African National Accreditation System (SANAS)- accredited laboratories;
- Deployed a total of 67 mobile laboratory units nationwide to respond to COVID-19.

5.5.1. Non-Financial Performance

During the reporting period, the NHLS achieved 80% of its set targets, which depicts a slight decrease from the 83% reported in the previous financial year. Despite the pressures of COVID-19, the NHLS performed relatively well.

5.5.1.1. **Programme 1: Laboratory Service**

Programme 1 achieved a performance success rate of 83.3% for 2020/21. Some of the reasons attributed to the failure to achieve all targets include the shortage of consumables during the first and second quarters due to consumables having to be shared between the HIV PCR and COVID-19 testing. This resulted in a knock-on effect on its turnaround times. Another reason is due to the effects of COVID-19, which led to the tender for digital pathology being delayed. This delay affected the limitation of bandwidth which ought to have been increased to support multi-protocol label switching (MPLS). The programme’s budget expenditure reached 96.8% due to the decision to fund all COVID-19 expenses from the corporate budget, while only critical vacancies were filled

5.5.1.2. Programme 2: Academic Affairs, Research and Quality Assurance

Programme 2 achieved 72.2% of its targets in 2020/21. Failure to achieve the missed targets is attributed to COVID-19 restrictions, which led to suspension of all ISO 9001 certification assessments by the service provider. Internal audits were also affected by adherence to the social distancing regulation. Another reason is an increased absenteeism emanating from COVID-19, which impacted laboratories for accreditation. By end of March 2021, expenditure stood at 59.7%.

5.5.1.3. Programme 3: Surveillance of Communicable Diseases

Programme 3 achieved 100% of its performance targets. It over-achieved its targets for the number of articles published in peer-reviewed journals due to the increased COVID-19 research outputs. By end of March 2021, the expenditure reached 95.1%.

5.5.1.4. Programme 4: Occupational and Environmental Health and Safety

The overall performance success rate for Programme 4 was 75.0%. The NHLS failed to meet *the number of occupational, environmental health and safety assessments completed* as planned. It attributes the failure to the number of workplaces having closed down during the COVID-19 lockdown. It asserts that assessments were put on hold for longer than anticipated as some workplaces that remained operational could not accommodate the programme's staff due to compliance with social distancing and adhering to travel restrictions. The programme had an allocation of R156.5 million, while its total expenditure was R135.8 million. By the close of books in March 2021, the expenditure was 86.8%.

5.5.1.5. Programme 5: Administration

Of the five main programmes, Programme 5 is the worst performing; having achieved a 70.6% success rate. During the previous financial year, its success rate was lower, i.e. 62.5%. The budget was R1.3 billion. The total expenditure was R3.8 billion which resulted in over-expenditure of R2.5 billion. The expenditure rate was 285.7%, meaning this programme overspent 185.7% on its allocated budget. The over-expenditure is attributed to COVID-19 purchases, which was centralised within the corporate office. The availability of goods was limited during the peak of the pandemic, hence the entity deemed it appropriate to centralise procurement to manage the equitable distribution to all regions. Critical to note is that the budget for 2020/21 was approved pre-COVID pandemic, hence the aforementioned expenditure was not budgeted for, but considered imperative.

5.5.2. Financial Performance

The 2020/21 financial statements of NHLS come at the back of the restated financial statement for 2019/20. Restatement is defined as a revision of one or more of a company's previous financial statements to correct an error. The decision to warrant a restatement is dependent on accountants due to the past error considered to be "material" enough to permit a restatement.

The NHLS financial statements provides details for itself as an entity of the Department of Health (referred to as the controlling entity) and a consolidated one (which include both the NHLS and its subsidiary, the South African Vaccine Produces (SAVP)). The consolidated statements are referred to as the economic entity (see statement of financial position and statement of financial performance. For purposes of this analyses, the focus will be on the statements for the economic entity since it provides a more holistic picture of the performance of both the NHLS and its subsidiary, the SAVP, joint

The NHLS grew its revenue from R9.3 billion in 2019/20 to R10.7 billion in 2020/21. The bulk of this revenue is derived from services rendered (R9.8 billion), followed by grants and subsidies from government (R855.6 million). Included in the government subsidy is R251 million from the *Solidarity Fund* to assist the NHLS with COVID-testing.

Despite the growth in revenue, the cost of sales increased with 30.3% from the previous year. The increase in cost of sales is mainly due to a sharp increase in spending on direct materials, which could possibly be related to the COVID-19 pandemic. Expenditure on direct materials increased from R3.6 billion in 2019/20, to R6.6 billion in 2020/21. The NHLS resultantly experienced an operating deficit of R105.2 million. In contrast, the previous financial year resulted in an operating surplus of R765.9 million.

The R105.2 million operating deficit was offset by R163.7 million interest received from debtors, resulting in a R54.3 million surplus for the year. In 2019/20, the NHLS ended the financial year with a surplus of R1.1 billion.

NHLS' current assets remained almost the same at around R5.9 billion in 2020/21 similar to 2019/20 financial year. The total assets increased from R7 billion in 2019/20 to R7.2 billion in 2020/21. Total liabilities also increased from R2.6 billion in the preceding financial year to R2.8 billion in 2020/21. Net assets increased from R4.4 billion previously to R4.5 billion in 2020/21.

The NHLS' current assets include, amongst others, its inventories (valued at R1.1 billion), funds from exchange transactions (services rendered) (R1.4 billion), and non-exchange transactions (R414.5 million), etc.

However, it should be noted that exchange transactions include debt owed to the NHLS, which was initially set at R5.1 billion, but that an amount of R3.8 billion was impaired. (In essence, debt is impaired when it is unlikely to recover the full amount.) This resulted in exchange transactions totalling R1.4 billion in 2020/21 (minus impairment). The table below provides details of debt owed and impairments to the NHLS.

The NHLS reports that an external audit was conducted into the amount disputed by the KZN Department of Health (DoH). This amount was in relation to the audit concluded that an amount of R1.8 billion is owed by KZN DoH to the entity. However, the parties involved have neither agreed nor acknowledged the outcome of the audit.

5.5.3. **Audit Report**

- The audit firm, Nexia SAB&T provided audit services to NHLS for the second year in a row. During this reporting period (2020/21), the NHLS received an ***Unqualified Audit Opinion.***

Issues Emanating from the Audit Report

- Restatement of the financial statement for 2019/20 was done to correct the errors committed in that reporting period.
- The entity continued to have weaknesses in its internal control mechanisms, which have led to a finding on non-compliance with legislation.
- Material misstatements of revenue, non-current assets, current assets, liabilities and disclosure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.
- There were no appropriate steps taken to prevent irregular expenditure amounting to R778.6 million as required by section 51(1)(b)(ii) of the PFMA.
- Irregular expenditure was incurred due to non-compliance with laws and regulations governing procurement and contract management
- Financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA.

- Some of the quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulation 16A9.1(d)
- In some instances, the prices of Personal Protective Equipment items charged by suppliers were not in accordance with Annexure A of the National Treasury Instruction note 8 of 2020/21 as required by paragraph 3.1.1 of the same instruction note.

5.6. Office of Health Standards Compliance (OHSC)

The National Health Amendment Act (No. 12 of 2013) establishes OHSC as a Schedule 3A Public Entity governed by the Board and the Chief Executive Officer (CEO). Section 78 of the same Act directs the OHSC to promote and protect the health and safety of the users of health services in South Africa.

5.6.1. Non-Financial Performance

During the reporting period, the OHSC tracked 21 output indicators. Fourteen (67%) of the indicators were either achieved or partially achieved. Seven (33%) indicators were not achieved. Performance per programme is detailed below.

5.6.1.1. Programme 1: Administration

The OHSC achieved a 42.6% success rate for targets listed in its annual report. The primary reasons for deviation from set targets were linked to the COVID-19 pandemic as the entity faced a challenge with filling vacancies, as well as hosting training and stakeholder engagement events. However, where targets were fully in the entity's control, such as achieving an unqualified audit opinion and a ICT service availability, it met and exceeded targets. This programme had an approved allocation of R60.6 million, but it overspent with an amount of R3.7 million. During the previous financial year, Programme also managed to overspent. Overspending for this programme has become a historical feature, and raises issues of adequate funding. Over-expenditure for 2020/21 is attributed to prior year commitments on maintenance and support of ICT infrastructure, which was funded, with the National Treasury's approval, from its surplus

5.6.1.2. Programme 2: Compliance Inspectorate, Certification and Enforcement

Historically, Programme 2 has also experienced challenges in meeting all its targets. In 2018/19, only 3 out of 5 targets were achieved, while in 2019/20 only 2 out of 7 were achieved. The 2020/21 financial year saw the programme's success rate decline to 25%, primarily due to its inability to commence with the compliance inspections in the private sector. Given the under-performance on its annual targets, the programme also underspent on its allocation. The initially approved budget was slightly above R48 million, and the total expenditure by end of March 2021 was R40.9 million. The under expenditure was R7 million.

5.6.1.3. Programme 3: Complaints Management and Ombud

Programme 3, is one of the most important programmes in the entity because it serves both OHSC and Office of Health Ombuds (OHO). The outputs of this programme have been hailed beyond South Africa. However, during the reporting period, the performance success rate was only 40%. One of the reasons for under-performance is the historic backlog due to a deficit in human capital. Another contributing factor to the non-attainment of all set targets is COVID-19 and applicable restrictions. At the beginning of the reporting period, the budget for this programme was R19.7 million and the expenditure by end of the reporting period was fair at R18.8 million. The balance was just shy of R1 million.

5.6.1.4. Programme 4: Health Standards Design, Analysis and Support

None of the targets in this programme were fully achieved. Reasons attributed to failing to achieve the set targets is the cancellation of face-to-face stakeholder workshops due to COVID-19. The recurring challenge for this programme is human deficit due to the inability to attract relevant skills for the funded posts. In the beginning of the reporting financial year, this Programme was allocated R12.7, with an expenditure of R9.1 million. The R3.5 million under-expenditure is attributed to the stoppage of conventional stakeholder meetings and non-filling of vacant posts

5.6.1.5. Programme 5: Certification and Enforcement

Programme 5 shows that of the three planned targets, only one (1) was achieved, with the remaining two being missed and partially achieved. The performance success rate is thus 33.3%. This is an important programme that focuses on the certification of compliant health establishments and enforces action against non-compliant of health establishments. Failure to achieve all targets is apportioned to the impact of COVID-19. The programme had a budget of R2.6 million and its annual expenditure by March 2021 was R2.2 million.

5.6.2. Financial Performance

Compared to 2019/20, wherein the entity generated R142.6 million – in 2020/21, the total revenue generated decreased to R139.1 million arising from a downward revision of government allocation due to COVID-19. Unlike the preceding reporting period, where the entity had a deficit amounting to R10.3 million, in 2020/21, the entity achieved a surplus of R6.1 million. Importantly, table 7 below depicts the financial position comprising assets, non-current assets, current liabilities and non-current liabilities as at the end of the reporting period.

The OHSC's revenue is derived from an allocation from National Treasury under the budget vote for the National Department of Health. It further derives interest on this revenue. During the reporting period (2020/21), the entity was allocated R143.9 million. However, due to the pressures exerted on the national fiscus by the COVID-19 pandemic, the allocation was revised downward to R137.6 million with a difference of R6.3m, which equates to 4.4% lower than the initial amount.

5.6.3. Audit Report

- The entity obtained an ***Unqualified Audit Opinion***.
- The Auditor General identified examined Programme 3: Complaints Management and Ombud and found the material misstatements on the reported performance information of Programme 3: Complaints Management and Ombud. This has been recurring on this programme.

5.7. Office of the Health Ombud (OHO)

The Office was established due to the complex factors and the deterioration of quality of health care services such as long queues at public health facilities, deficit of human capital for health including continued rise of medical negligence. This together with the associated legal claims in South Africa particularly between 2005 and 2012 led to the establishment of the Office in 2016.

5.7.1. Non-Financial Performance

During the reporting period 2020/21, the Complaints Centre and Assessment Unit operated at 76% i.e. 19 of 25 posts of its intended human resources. Six of the filled posts were funded on a contract basis and contributed significantly in reducing the backlog. The number of people assisted by this Unit grew steadily over the past five years.

The number of cases received in 2020/21 grew and were accordingly higher than that reported in 2019/20. Despite the fact that the 2020/21 reporting period coincided with the COVID-19 lockdown, the measures implemented did not hamper the continuity of services. The implemented intervention included diverting calls to the phones of Call Centre staff and enabling remote access to the online complaints management system. The Assessment Unit referred eight (8) cases for investigation to the Investigation Unit, of which 63 cases meeting criteria for investigation were retained, and 32 of these were closed through assessment. The Assessment Unit failed to close 45% of all cases including backlogs due to constraints of human capital. Only 2.5% of the global number of outstanding complaints were closed. Other achievement include two abstracts accepted as poster presentations at the 2020 International Society for Quality in Health Care (ISQua) Conference i.e.:

- Reflections on compliance with complaints management in the public health sector of South Africa: OHSC inspection findings; and
- Life Esidimeni investigation: lessons and implications for the health sector.

Although the Office has reported some challenges over the years, it also registered notable successes, which include amongst others the following:

- Being represented at a collaborative meeting with the United Nations Sub-committee on Prevention of Torture (SPT) in November 2020. This meeting was coordinated by the Human Rights Commission to discuss progress made in South Africa's implementation of the Optional Protocol to the Convention against Torture (OPCAT). A written response to questions posed by United Nations subcommittee was submitted, focusing on the Health Ombud and plans to integrate the OPCAT preventive mandate into the Office.
- The increased number of cases received and serviced by the Assessment Unit. In 2020/21 it had a total of 285 open complaints, and managed to resolve 174 of these. This meant the Unit closed the financial year with 111 open complaints, compared to 265 at the end of 2019/2020.

The Office is housed and shares financial and human resources with the OHSC. Due to this reason, the financial performance of the Office is contained in the OHSC report. However, it is worth noting that the Office has reported that the recommendation of the Presidential Health Summit in 2018 of budget increase to R16 million in 2020/21 and to R32 million by 2021/22 has not been effected.

The Office has stated the following impediments that it faces:

- The number of backlog cases poses a reputational risk to the Office;
- There are complaints that have not been resolved which were logged in 2016 that still awaiting an outcome due to human resources' constraint;
- The Office requires more investigators to deal with voluminous documentary evidence which has to be gathered and carefully analysed;
- The fundamental and persistent constraint on case resolution is the limited investigative capacity of the Office;
- The COVID-19 restrictions on travel and other activities due to the pandemic compounded the caseload and delay in resolving the cases.

6. COMMITTEE OBSERVATIONS AND FINDINGS

The Committee, during its deliberations made the following observations:

6.1. Department of Health

- The Committee noted with concern that provincial departments spend budgets in training nurses and doctors (in particular Cuban-trained doctors), however the same provinces find it difficult to employ and retain these health professionals in the system, despite high vacancy rates.
- Unauthorised expenditure by the department was noted as a concern by the Committee.
- The Committee was concerned that the AG had reported that it was unable to obtain appropriate audit evidence due to the unreliability of performance information.
- The finding by the AG about material misstatements was a concern to the Committee.
- The Committee noted with concern, accruals in provinces and wanted to know what the department was doing to assist provinces in eradicating accruals.
- The Committee expressed concern that investigations into transgressions and irregularities were not initiated promptly to enable consequence management.

- The Committee wanted to know what the position of the Department on the planned removal of low-cost benefit options by the CMS.
- The Committee expressed concerned about the recent increase of possible food poisoning cases in the country.
- The Committee noted with concern that the provincial audit reports were not received, noting that these would assist in providing a holistic picture on the health sector performance.

6.2. CMS

- The Committee raised its concern about the removal of the low-cost benefit options for low-income market segments, as these were of assistance to people who cannot afford medical aids.
- The Committee wanted to know the reasons for the exclusion of termination of pregnancy and breast reduction in schemes' benefits.
- The Committee was concerned about irregular expenditure incurred by the entity as reported by the AG and wanted to know what the entity was doing to address this.
- The Committee was concerned about inadequate outreach to educate people on medical aids which makes it difficult for them to choose from the many medical schemes.
- The Committee wanted to know how far was the SIU investigation on maladministration at the CMS which was pronounced in 2019 and whether there were any consequences taken against transgressors.

6.3. CCOD

- The Committee was concerned that there were unclaimed benefits that need to be paid to the beneficiaries.

6.4. SAHPRA

- The Committee was concerned about the entity's financial challenges and sought clarity on the root causes and whether SAHPRA's employees had been paid.
- The Committee was concerned about the Regulator's unsatisfactory audit outcomes and sought further details on its remedial plans.
- The Committee observed that there were deficiencies in internal controls and sought clarity on measures that the Regulator has put in place to address this, specifically in supply chain management and consequence management.
- The Committee noted with concern the AG's finding regarding the Regulator's lack of proper record keeping to ensure complete, relevant and accurate information to support financial reporting.
- The Committee noted the survey conducted by SAHPRA among its staff member, that yielded 50% negative responses. Clarity was sought about the reasons for the negative responses and whether it was as a result of low staff morale.
- The Committee noted the irregular expenditure of R6 million that SAHPRA has incurred and sought further details on the nature of this irregular expenditure.
- The Committee sought an update about the resolutions of the meetings between SAHPRA and the Health Professions Council of South Africa (HPCSA) in relation to the use of surgical mesh. Further details were sought on whether SAHPRA had engaged other health entities and bodies across the globe on this issue.
- The Committee noted that SAHPRA requires additional funding allocation to do its job independently and successfully.
- The Committee observed that SAHPRA, as a fairly new entity, has made a number of interventions such as introducing new technology and approving vaccines.

6.5. SAMRC

- The Committee commended the SAMRC for maintaining a clean audit.
- The Committee noted with concern that there were four employees reported to have been injured on duty and sought clarity on the measures the SAMRC has put in place to prevent incidences of injury on duty.

- The Committee wanted to know how many black women were in senior management positions and noted with concern the imbalance in terms of the country's demographics.
- The Committee observed that although the SAMRC had an increase in total liabilities, there was an increase in assets, of R420 million.

6.6. NHLS

- The Committee commended the NHLS for obtaining an unqualified audit opinion.
- The Committee wanted to know the reasons targets were not achieved and what the contingency measures and risk mitigation strategies would be, to ensure that targets are achieved in future, despite the continuation of COVID-19.
- The Committee was concerned about the AG's findings, including the reported irregular expenditure and wanted to know what the entity was doing to address these.
- The Committee observed that the NHLS's revenue has grown from R9.3 billion to R10.7 billion.
- The Committee was concerned about exchange transactions and the R3.8 billion that was impaired, wanted to know what the way forward was on this matter.

6.7. OHSC

- The Committee commended the OHSC for movement in audit outcomes, from unqualified with findings to unqualified opinion with no findings.
- The Committee was concerned about the OHSC's budget constraints, restricting the entity from filling positions. The Committee further noted with concern that only 41% of vacancies were filled and wanted to know what the entity's plans were to address this challenge, given that the mandate of the OHSC is heavily reliant on human resources.
- The Committee wanted to know how much was set aside for the revised organogram and the rationale for appointing a service provider to assist with the review of the organogram. The Committee sought clarity on why this was not done internally to save costs.
- The Committee was concerned about the 10% of public health establishments inspected during the period under review and sought further details on plans to increase this to 50%.
- The OHSC reported that it plans to charge fees for inspections and the Committee sought clarity on who would be paying these fees.
- The Committee wanted to know what strategies were in place to ensure that health facilities are compliant under NHI and which facilities has been prioritised to reach compliance standards.
- The Committee wanted to know what the tangible remedial actions or efforts were on facilities that do not comply to norms and standards, beyond issuing recommendations and forewarnings to revoke compliance certificates.
- The Committee has noted overburdened and non-compliant health facilities in rural areas and townships and wanted to know if the OHSC has revoked any compliance certificates.
- The Committee was concerned that the OHSC could not fully conduct inspections due to COVID-19 restrictions, in light of the numerous complaints received regarding poor conditions in COVID-19 hospitals.
- The Committee was concerned that the entity did not meet all of its targets and wanted to know what would be done differently in future to ensure that all targets are met.
- In relation to the proposed decentralisation, the Committee wanted to know whether a plan had been developed or a cost-benefit analysis been conducted.

6.8. OHO

- The Committee noted the achievements of the Ombud despite the challenges the entity is operating under.
- The Committee expressed major concern that the situation had not changed since the OHO first presented to the Committee in prior years.
- The Committee suggested an urgent meeting with the OHO, the Minister and relevant stakeholder to put some of the issues on the table and find a way forward.
- The Committee sought details on the modalities used for the movement of staff from the OHSC to the OHO and how it was affecting both.

- The Committee asked for progress on the drafting of the Bill aimed to address some of the challenges the entity face.

7. COMMITTEE RECOMMENDATIONS

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

7.1. Department of Health

Audit outcomes -

- Ensure that all the findings of the Auditor General are addressed and report to the Committee on progress.
- Provide a detailed report to the Committee on how it is assisting provinces in dealing with accruals. The detailed report should be presented 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 to reduce inefficiencies.
- Provide a turnaround plan to address the recurring issue related to quality of performance information as reported by the AG.
- The Department and the Executive should develop early warning systems, provide cogent tools, including analytical tools to ensure that consequence management is implemented.

Financial management -

- Provide the Committee with a quarterly progress report on consequence management arising from non-compliance with legislation.
- Ensure oversight and monitoring of key areas of internal controls and financial management.
- Assist the health entities whose performance is restricted by budgetary constraints, to ensure their optimal operation.

Improving the quality of health care -

- A proper investigation and research should be conducted on the use of surgical mesh.
- Ensure food safety monitoring and inspections, in light of the recent rise in reported food poisoning cases.

Entities

7.2. CMS

- Proper consultation and engagement should be conducted on the removal of low-cost benefit options, especially consultation of those who would be affected.
- The Committee suggested that the CMS recalls the two circulars in relation to low-cost benefit options until public engagements are concluded.
- The entity should ensure that it addresses all the AG's findings.
- Strengthen public education on medical schemes benefits.

7.3. CCOD

- The CCOD should put mechanisms in place to track and trace beneficiaries of unpaid funds.
- Ensure that the backlog of annual reports and financial statements is cleared.

7.4. OHSC

- Engage the Minister of Health on the entity's budgetary constraints, to ensure that it is fully capacitated and it delivers on its mandate of monitoring and enforcing compliance with prescribed norms and standards.
- Present to the Committee a detailed report on remedial actions and strategies to ensure that health facilities are compliant in preparation for NHI.

- Provide the Committee with a list of facilities that has been prioritised to reach compliance standards.
- Provide a detailed report on inspections of COVID-19 hospitals.
- Furnish the Committee with a detailed plan and cost-benefit analysis on the proposed decentralisation of services.

7.5. SAHPRA

- The entity should ensure that the payment of staff is addressed as a matter of urgency.
- Present to the Committee a turnaround plan aimed at improving audit outcomes, including improvements on internal controls and reducing irregular expenditure.
- Furnish the Committee with a full report on its investigation and research on the use of surgical mesh.
- Engage the Minister of Health on the entity's budgetary constraints.

7.6. OHO

- In view of the entity's operational challenges, a formal engagement with the Portfolio Committee, the Minister and relevant stakeholder should be convened.

7.7. SAMRC

- Ensure that Occupational Health and Safety measures are strengthened to prevent incidences of injury on duty.

8. CONCLUSION

Unless otherwise indicated, the Department of Health should respond to the Committee recommendations in three months from the day when the report is adopted by the House.

The Department and Entities to provide progress reports on all of the recommendations on a quarterly basis.

Report to be considered.

Dr KL Jacobs **Date:**
Chairperson: PC on Health