

**DEPARTMENT OF**

**HEALTH**

The heartland of southern Africa – development is about people

## PORTFOLIO COMMITTEE BRIEFING

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**SECOND SPECIAL AUDIT REPORT**

| **NO** | **TITLE** | **COMMENTS** |
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| **Procurement and contract management** |
| 1 | Audit Finding | Reasons for deviation not recorded and approved as per approved delegation of authority |
|  | Finding details | On 13 April 2020, the accounting officer in Limpopo approved a request to appoint service providers, on an emergency procurement basis, for the supply and delivery of 100 000 units of 350 ml hand sanitiser rubs at R29,90 per unit. However, the department awarded the contract to a supplier for the supply and delivery of 300 000 units; 200 000 above the quantity approved by the accounting officer, resulting in a difference of R5,98 million. |
|  | AGSA Recommendations | * Management should implement controls to ensure compliance with the instruction notes and relevant SCM prescripts to prevent the misuse/exploitation of emergency procurement legislation
* Management should implement a review process and improve the effectiveness of controls in place over the process of approving deviations to ensure that a properly delegated official approves the deviation as per the SCM delegation of authority policy and enable compliance with section 44(1) of the Public Finance Management Act
* Management should implement consequence management processes against officials contravening laws and regulations.
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|  | Departmental Progress made | The process of ratifying the matter is in progress and is expected to be implemented by the 31st of March 2022.  |
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| 2 | Audit Finding | Discrepancies in the RFQs sent to suppliers resulting in unfair procurementPractices |
|  | Finding details | **Refer to page 96 of the report.** |
|  | AGSA Recommendations | The accounting officer should maintain a system of procurement that is fair, equitable, transparent, competitive and cost-effective by ensuring the following:* The same RFQ is issued to suppliers during the procurement of the same goods or services.
* Specifications of the RFQ are not amended without informing all suppliers who had quoted.
* Suppliers are evaluated based on criteria that are clearly stipulated in the RFQ document.
* The internal controls established for the procurement and provisioning systems are adhered to.
* An investigation is conducted into the cause of the irregular expenditure amounting to R71,64 million and effective and appropriate corrective action is taken against any official who caused the potentially irregular expenditure.
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|  | Departmental Progress made | The Department has recorded the expenditure under the irregular expenditure note as under determination pending finalisation between the Department and AGSA. Furthermore, the matter has been investigated by the SIU and the accounting officer is implementing the recommendations of the SIU. |
| **Internal control deficiencies** |
| 3 | Audit Finding | Insufficient controls over receipt of goods and services |
|  | Finding details | **Inventory invoice from depot did not agree with goods received note from institution (LP)*** PPE delivered to a health institution did not agree with the goods received note and evidence could not be provided to confirm whether the institution had communicated with the medical depot on the differences between the goods received note and the invoice.
* In some instances, the quantity on the invoice was more than the quantity on the goods received note, or vice versa.
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|  | AGSA Recommendations | The SCM unit should reassess all controls over the receiving of goods to confirm that sufficient processes are in place and are correctly implemented to ensure that all goods received are in line with goods ordered and that all documentation required to accompany the goods purchased has been submitted. This will ensure that payments are made for only valid goods ordered, delivered and received. |
|  | Departmental Progress made | The issue identified by AGSA was an anomaly and internal controls are in place to address the issue. The finding related to internal deliveries of goods between the Depot and the Facility. There is no financial impact that could result in fruitless expenditure. Subsequent to the audit the goods received note was reconciled to the actual quantities delivered to the facility. Controls in place are described as follows:When the Depot issues stock to the facility, an invoice to the facility and a proof of delivery is prepared. The stock to be delivered is counted at the Depot and the receiving facility against the proof of delivery and the invoice. This ensures that stock that left the Depot agrees with the stock that has been received by the Facility. The facility captured the invoice on RX solutions (inventory system) and the system generates a Goods received note. The system Goods received note is also checked against the actual quantities. Therefore, the recommendation has been implemented.  |
| **Recording, storage and/or distribution of PPE** |
| 4 | Audit Finding | PPE not distributed in complete and/or timely manner to healthcareFacilities |
|  | Finding details | * The bulk storage facilities could not always provide the requested PPE in a complete and/or timely manner to the healthcare facilities because of stock-outs or low stock levels. This was mainly due to suppliers’ extended lead times to deliver during the pandemic. As a result, the bulk storage facilities had to ration the quantities issued to the healthcare facilities based on the amount of PPE on hand. This was to ensure that all healthcare facilities had some PPE.
* As PPE was not always distributed in a complete and/or timely manner, some healthcare facilities experienced stock-outs or low stock levels of certain PPE items at times. To ensure continuous service delivery, the healthcare facilities had to borrow, share or exchange PPE among themselves. In some instances, alternative PPE was used by healthcare workers or PPE was purchased directly from the suppliers
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|  | AGSA Recommendations | Departments should regularly follow up on long-outstanding orders. Where suppliers repeatedly fail to deliver orders within a reasonable time and without justifiable reasons, departments should consider not placing orders with these suppliers in future |
|  | Departmental Progress made | At the onset of the pandemic, there were global shortage of PPE and the Department distributed PPE to healthcare facilities based on its own demand calculations as an emergency intervention during the pandemic. The market for PPEs has stabilised and the Department is able to sought PPEs in sufficient quantities to meet the demand of Health facilities. |
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| 5 | Audit Finding | Poor storage practices at bulk storage and healthcare facilities |
|  | Finding details | The following practices hampered the optimal storage of PPE at some of these bulk storage and healthcare facilities:* Facilities did not have enough space and/or shelving to store the PPE stock on hand. The PPE was then stored in the walkways, passages, against the walls on top of each other, in open areas, on the floor, outside the boxes and/or stacked to the ceilings. At some of the medical depots, there was limited or no room for forklifts to upload and move the PPE stock in the medical depots and the staff responsible for picking, packing and/or issuing the PPE items had restricted access to such stock. At the healthcare facilities, some PPE was stored in offices, boardrooms, kitchens, an electrical switch room and/or cleaning material rooms. Storage practices like this made it difficult for staff to record and account for all the PPE stock on hand.
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|  | AGSA Recommendations | * To improve the storage practices, departments should institute measures to ensure that the staff responsible for stock management at the bulk storage and healthcare facilities, as far as possible under the circumstances, comply with the prescripts relating to good storage practices. Compliance with these prescripts should be monitored regularly and any non-adherence addressed.
* Departments should consider assessing the bulk storage and healthcare facilities to determine the best areas in these facilities where PPE can be stored, thereby using the available space in an optimal manner. If the existing facilities are still not suitable, the departments should consider increasing their storage capacity by identifying alternative but suitable facilities for the storage of PPE during the pandemic.
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|  | Departmental Progress made | The Limpopo DoH advertised tender to source a new bulk storage facility. However, the tender was non-responsive. In response to the non-responsive bid the department will continue to test the market for new bulk storage facility.The Department engaged with the Limpopo Department of Public Works, Roads and Infrastructure (Limpopo custodian of property) to request assistance in identifying available facilities that may be used as a storage facility.  |
| **END** |