

# Consolidated Report on Health Sector

October 2022

PFMA  
2021-22



AUDITOR-GENERAL  
SOUTH AFRICA



## MISSION

The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

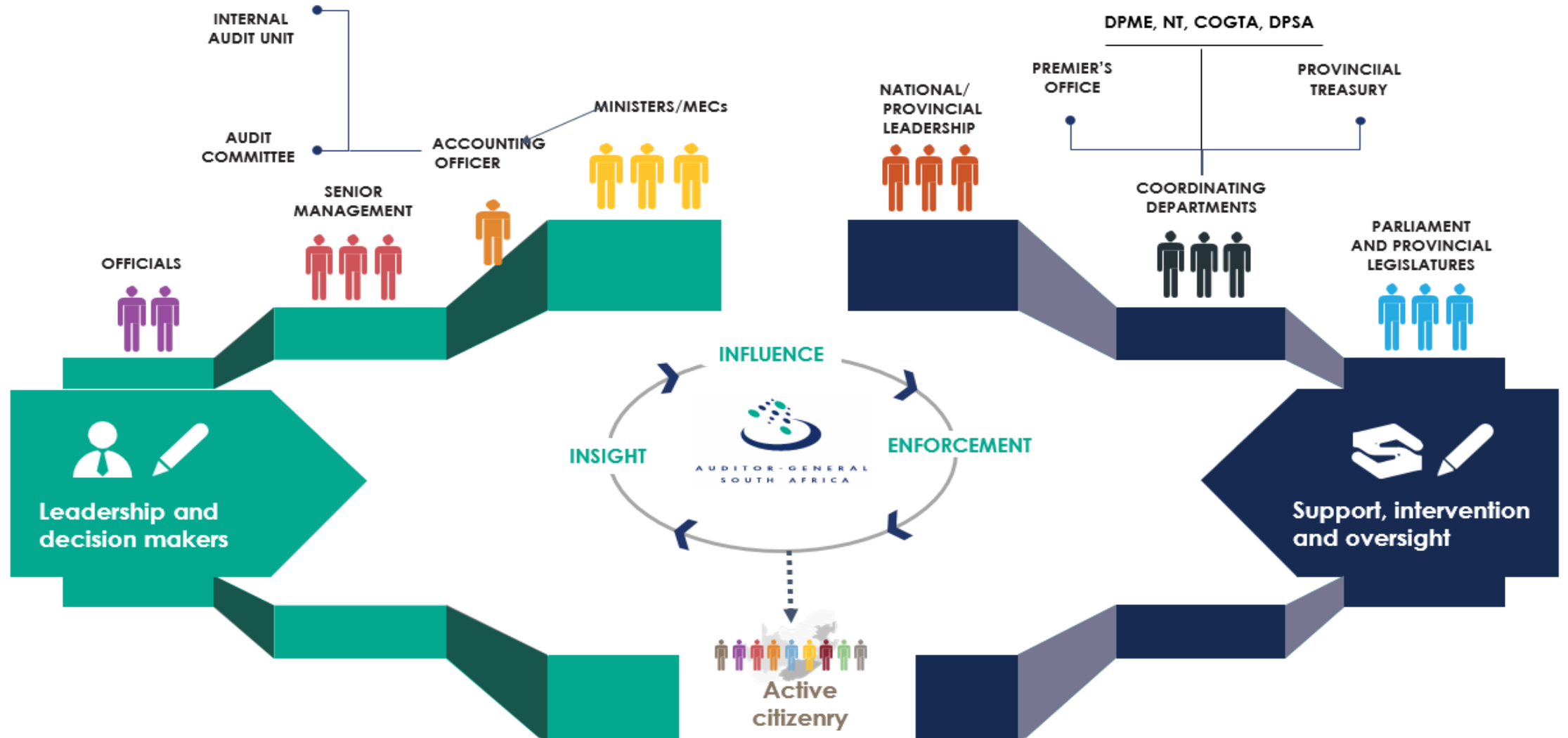


## VISION

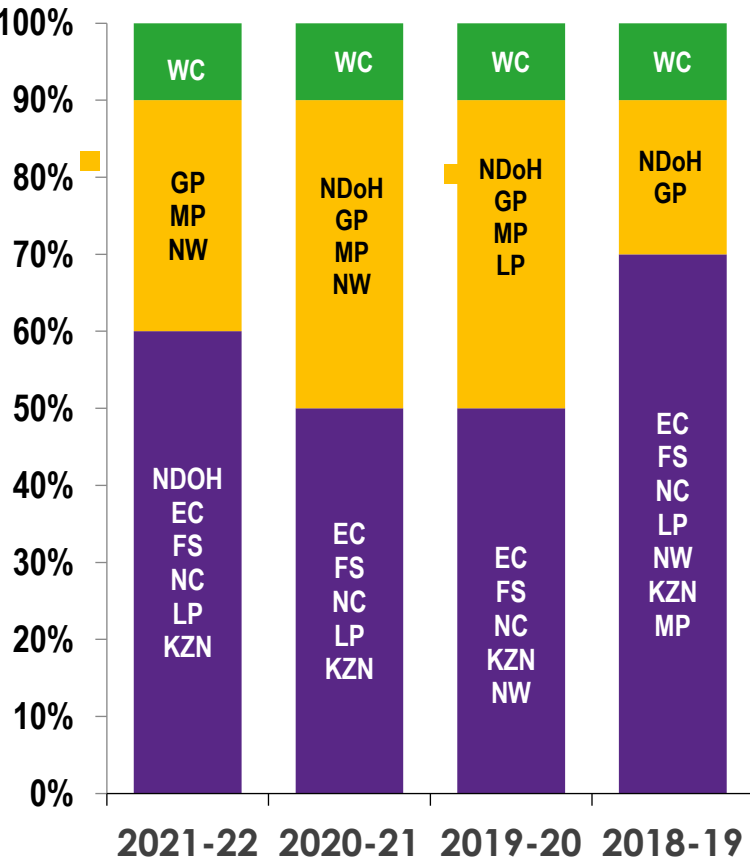
To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability.



# We all have a role to play in the accountability ecosystem



# Overall regression on the audit outcome: **root causes**



Overall there was a **regression** in the sector due to the National Department of Health (NDoH) qualification. The provinces remained stagnant as they received same audit outcomes as in the previous years. The national department regressed from an unqualified to qualified audit outcome, resulting in six (6) of the 10 departments receiving a qualification. **No improvement to the audit outcomes for EC, FS, NC and KZN** as they remain qualified for four consecutive years. **We also commend WC for maintaining their clean audit outcomes consistently over the years.**

### Our biggest concerns remain for EC, NC and KZN

- **EC:** Material misstatements identified in the financial statements has increased in the current year, due to the department being highly reliant on manual record-keeping and inefficient processes for an organisation of its size and critical role.
- Audit action plans were not implemented and monitored, resulting in repeat findings.
- **NC:** Additional material misstatements reported in the current year, due to instability in critical leadership positions such as the accounting officer and some chief directors all being acting positions.
- The department did not effectively design or redesign processes to strengthen the control environment. Weaknesses in internal controls, particularly the record management systems, significantly contributed to the poor audit outcomes.
- Slow response by senior management was evidenced by delays in compiling audit action plans to address all findings and resolutions by internal and external auditors and other oversight structures.
- **KZN:** The audit outcome remained unchanged at a qualified opinion for fifth consecutive year. Material misstatements in the submitted financial statements and performance information, were not prevented or detected by the department's system of internal control and reviews.
- Leadership did not exercise adequate oversight and monitoring over compliance with applicable laws resulting in excessive amounts of irregular expenditure being incurred and weaknesses noted in procurement and contracts management.
- The position of chief financial officer (CFO), which is also a critical post in the department, has been vacant for a significant period.

Audit outcomes are as follows			Movement	
<span style="color: green;">■</span> Unqualified with no findings	<span style="color: yellow;">■</span> Unqualified with findings	<span style="color: purple;">■</span> Qualified with findings	<span style="color: green;">▲</span>	0
<span style="color: pink;">■</span> Adverse with findings	<span style="color: red;">■</span> Disclaimed with findings	<span style="color: blue;">■</span> Outstanding audits	<span style="color: red;">▼</span>	1
			<span style="color: orange;">▶</span>	9



# Overall regression on the audit outcome: **root causes**

## Root causes for regression of audit outcomes:

- **NDoH:** Regression is due to a lack of coordination amongst units within the department. This internal control deficiency was communicated to management as a recommendation in the previous year's audit. Management should also strengthen controls relating to proper record-keeping in a timely manner and diligently maintain those reconciliations required to support reported financial information.

## Root causes for stagnation of provinces with qualified opinion:

The main root cause noted for the lack of improvement in audit outcomes for these auditees, was the inadequate action plans that were developed and/or the slow implementation of these audit action plans which resulted in repeat findings.

NC and KZN has received a qualified audit outcome for the past six years with no sign of improvement. Root causes for the stagnation are follows:

- **NC** - The department did not effectively design or redesign processes to strengthen the control environment. Weaknesses in internal controls particularly the record management systems significantly contributed to the audit outcomes. **The accounting officer and chief directors are all in acting positions.**
- **KZN** – Leadership did not exercise adequate oversight and monitoring over compliance with applicable laws resulting in excessive amounts of irregular expenditure being incurred and weaknesses noted in procurement and contracts management. Furthermore, the **position of CFO which is a critical post in the department had been vacant for a significant period.**

## Root causes for stagnation of provinces with unqualified opinion:

- **GP:** Management did not exercise adequate oversight responsibility over internal controls over certain compliance areas and management did not implement sufficient controls regarding the preparation of the annual performance report.
- **MP:** The control environment still requires improvement, particularly for implementation and continuous monitoring of controls to enable timeous and effective consequence management. Overall quality of annual financial statements (AFS) is concerning with the ever-increasing number of individual immaterial misstatements identified on a yearly basis.
- **NW:** Controls were not implemented over the review of contingent liabilities register and the department did not implement adequate controls to ensure all irregular expenditure is disclosed. There is also lack of implemented preventative controls



# Portfolio performance



# Overall audit outcome on PDO & root causes

Province	Outcome * 2021-22	Outcome* 2020-21
EC	Significant limitations	Significant limitations
FS	Material findings/ some limitations	Material findings/ some limitations
GP	Significant limitations	Significant limitations
KZN	Significant limitations	Significant limitations
LP	Significant limitations	Significant limitations
MP	Material findings/ some limitations	Material findings/ some limitations
NDoH	Material findings/ some limitations	Material findings/ some limitations
NC	Significant limitations	Significant limitations
NW	Significant limitations	Significant limitations
WC	No material findings	No material findings

Audit outcomes are indicated as follows

 Unqualified with no findings	 Unqualified with findings	 Qualified with findings
 Adverse with findings	 Disclaimed with findings	 Outstanding audits

## Concerns on the sector's continued inability to report on its performance:

Audit outcomes for predetermined objectives **remain stagnant** with 60% (6/10) of departments not being able to provide supporting evidence for their material and significant reported performance information. 30% also had material findings and / or some limitations.

It is concerning that credible performance data remain a challenge for the district health services programme that should serve as a dipstick to measure the primary health care in the provinces. *Without credible performance data the departments will not be able to easily identify and respond to any service delivery challenges that might arise i.e. if the department cannot reliably measure the number of Tuberculosis (TB) patients there is at a hospital it might create a shortage of medicine to treat TB patients at that particular hospital, and create a tally of excess medicine at another hospital.*

The limitation to conclude whether the reported achievements are reliable or not, again resulted in us being unable to determine whether the department has adequately delivered and achieved on the current year targets. We thus cannot confirm nor dispel whether they are on track to achieve the Medium Term Strategic Framework (MTSF) objectives and the 2030 vision.

## Root Causes:

- Lack of implementation of prior key recommendations made and/or action plans to address deficiencies identified. This demonstrates a lack of willingness by sector leadership to effect the necessary changes with appreciation of the matters facing the sector.
- Critical positions not being filled timely with the right skills.
- Lack of adequate processes to maintain proper supporting evidence to substantiate reported financial and predetermined objectives performance.
- Lack of internal controls and reviews, and a lack of oversight by leadership to ensure that these systems of internal controls which are critically required are implemented.

\*Audit opinion on PDO is not expressed, these are included as an illustration should we issue an opinion



## Comparison between MTSF vs Strategic plan vs APP

- We performed an assessment to ascertain whether the planned indicators and targets relates to initiatives that will support the overall outcome of improving the life expectancy of citizens.
- The three main outcomes included in the MTSF is universal health coverage for all South Africans achieved by 2030, the improvement in the total life expectancy of South Africans and reduction in maternal and child mortality.
- Indicators such as the 'proportion of people on antiretroviral therapy (ART) who are virally suppressed' and 'TB treatment success rate' support increase in total life expectancy, while indicators such as 'Antenatal first visit before 20 weeks rate' and 'Immunisation coverage under 1 year' support the reduction of maternal and child mortality.
- It was noted that the majority of indicators included by the provincial DoHs were indicators that NDoH has communicated to be "standardised indicators" for 2021-22. The practice of having standardised indicators in the sector as prescribed in the revised framework for strategic plans and annual performance plans (FSAPP) thus lead to increased alignment of planning outcomes and indicators in the annual performance plans (APPs) for the health sector.

## Conclusion

- We therefore concluded that the indicators included in the **APPs contribute to the achievement of planned overall outcomes**. The planned achievement is **aligned to the mandate** and if implemented, will improve the life expectancy of the citizens.





# Achievement of sector targets - progress towards MTSF targets

Key indicators	5-year MTSF target	Actual achievement per NDOH/DPME	31 March 2022 Progress
<b>Outcome: Universal health coverage for all South Africans achieved by 2030</b>			
National Health Insurance (NHI) Fund established and purchasing services operational	NHI Fund operational by December 2020	Overall progress during the financial year 2021-22 (April 2021 to March 2022), the department attended all public hearings on the NHI Bill in Parliament as scheduled by the portfolio committee.	Behind
	NHI Fund purchasing services by 2022/23	Overall progress during the financial year 2021-22 (April 2021 to March 2022), the department attended all public hearings on NHI Bill in Parliament as scheduled by the portfolio committee.	In progress
Proportion of public sector facilities implementing the national quality improvement programme	80% by 2022-23	21 quality learning centres out of 69 PHC facilities, 61 hospitals and 18 EMS identified for the quality improvement programme	In progress
	100% by 2024-25		In progress
Total rand value of medico-legal claims in the public sector	Contingent liability of medico-legal cases reduced by 80% (under R18 billion) in 2024	The forensic investigations are still continuing. Investigation of top law firms that are litigating against the State on medico-legal matters has been completed. The health sector was awaiting the National Proclamation on Medico-Legal Claims to be signed	In progress
Number of clinics attaining ideal clinic status	3 467 primary healthcare (PHC) facilities (100%) attain and maintain ideal clinic status by 2024	A total of 1,286 PHC facilities qualified as ideal clinics	In progress
Human resources for health (HRH) plan 2020-21 - 2024-25 completed	Human Resources for Health (HRH) Plan 2020/21- 2024/25 completed by March 2020	The Human Resources for Health (HRH) Strategy 2030 and HRH Plan 2020/21-2024/25 completed in October 2020 and approved by the National Health Council (NHC)	Achieved
	HRH plan 2020-21 - 2024-25 completed by March 2020		Achieved
HRH Strategy 2030 completed	HRH Strategy 2030 produced by March 2020		Achieved
Number of nursing colleges established	One nursing college per province (with satellite campuses) established by 2020 and fully operational in all nine provinces by 2022	9 public nursing colleges were supported	Achieved



# Achievement of sector targets - progress towards MTSF targets

Key indicators	5-year MTSF target	Actual achievement per NDoH/DPME	31 March 2022 Progress
<b>Outcome: Universal health coverage for all South Africans achieved by 2030</b>			
Number of community health workers (CHWs) integrated into the health system	50 000 CHWs by March 2024	A total of 46 234 CHWs were contracted	In progress
<b>Outcome: Progressive improvement in the total life expectancy of South Africans</b>			
Number of people screened for tuberculosis (TB)	2 million additional people screened for TB by 2020 and eligible people initiated on treatment	A cumulative total of 95,325,459 people screened	Achieved
TB treatment success rate	90% by 2022	Cumulatively 79.7% in the FY 2021-22	Behind
	95% by 2024	Cumulatively 79.7% in the FY 2021-22	In progress
Proportion of people living with HIV who know their status	90% by 2020	93% in FY 2021/22	On track
	95% by 2024	93% in FY 2021/22	In progress
<b>Outcome: Reduce maternal and child mortality</b>			
Antenatal first visit before 20 weeks rate	75% by 2024	Cumulatively, 66,8% in FY 2021-22	In progress
Antenatal clients initiated on ART rate	98% by 2024	Cumulatively, 93,8% in FY 2021-22	In progress
Immunisation coverage under 1 year	90% by 2024	Cumulatively, 84,6% in FY 2021-22	In progress
Children under 5 years severe acute malnutrition case fatality rate	<5,0% by 2024	Cumulatively 8% during FY 2021-22	In progress
Children under 5 years pneumonia case fatality rate	<1,0% by 2024	Cumulatively, 1,8% during FY 2021-22	In progress
Children under 5 years diarrhea case fatality rate	<1,0% by 2024	Cumulatively, 1,8% during FY 2021-22	In progress
<b>Outcome: Total life expectancy of South Africans improved</b>			
Proportion of people on ART who are virally suppressed	90% by 2020	Cumulatively 89% during FY 2021-22	Behind
	95% by 2024-25	Cumulatively 89% during FY 2021-22	In progress
HIV tests conducted annually by 2024	30 million tests annually by 2024	Cumulatively 17 363 017 tests in FY 2021-22	In progress
Number of people screened for high blood pressure	25 million by 2024	Cumulatively, 33,037,603 people screened in FY 2021-22	Achieved
Number of people screened for elevated blood glucose levels	25 million annually by 2024	Cumulatively, 31,917,243 in FY 2021-22	Achieved



## Achievement of key indicators and targets

- Over several years, the audit team has been selecting Programme 2 – district health services for audit purposes. This is because the indicators, the health sector deemed crucial for achieving the specific outcomes in the implementation of government's health objectives, have been included in this programme. A majority of the MTSF indicators are reported and tracked in this programme.
- The assessment of the achievement of the MTSF sector targets indicated that the sector has **achieved six (6) x targets**, is **behind on two (2)**, while **13 x targets** were reported as still in progress. **Six (6)** targets were not reported on.
- Overall, the sector has spent more than 90% of the allocated budget with an average achievement of 52% attained on the performance targets.
- While we are satisfied that the indicators included in the APPs support the improvement of the lives of the citizens, we are concerned that credible performance data remain a challenge for the district health services programme that should serve as a dipstick to measure the primary health care in the provinces. Without credible performance data, the department will not be able to easily identify and respond to any service delivery challenges that might arise, e.g. if the department cannot reliably measure the number of TB patients there is at a hospital it might create a shortage of medicine to treat TB patients in that particular hospital and excess medicine at another hospital.
- We were unable to confirm the validity, accuracy and completeness of the reported performance achieved in all the provinces with the exception of Western Cape. Performance reported in the APR was **not supported by reliable evidence** in six (6) of the departments (EC, GP, KZN, LP, NC, NW) while three (3) auditees (NDoH, FS, MP) had material findings.
- If these limitations are not addressed, accounting officers will not be able to accurately account for and track performance against planned targets and will therefore be unable to assess whether the overall achievement of improving access to medical care, reducing the burden of diseases, and ultimately increasing life expectancy is met.
- The inability to conclude due to limitations prevents us from concluding on (confirming nor dispelling) the reliability of the reported achievements in slide 12 to 14, as well as determining whether the sector has adequately delivered and achieved on the current year's targets and whether they are on track to achieve the MTSF objectives and the 2030 vision.

## Vaccine programme - key indicators and targets (not included in MTSEF but performance reported by management)

Indicator	Target	Performance	Comments
Percentage of the adult population to have received at least one dose of vaccination by end of December 2021	70% of the adult population to have received at least one dose of vaccination by end of December 2021	As at 31 May 2022, a total of 19,932,937 individuals aged 18 years and above had been vaccinated in the country, which translated to 50,09% of this category of the population nationally.	Not achieved



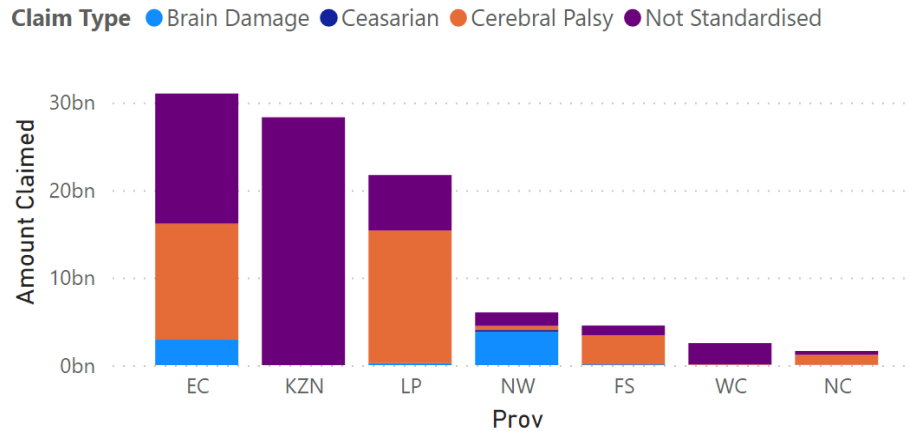


# Health sector focus areas: Medico-legal claims

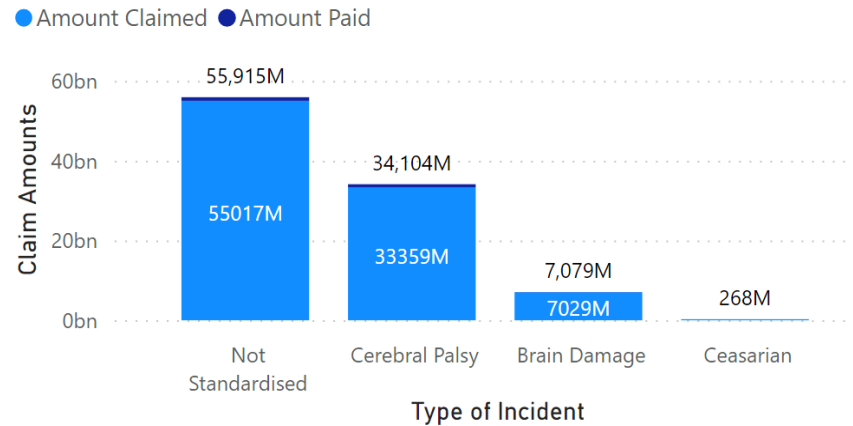


# Overview: Claims

Claims by Province



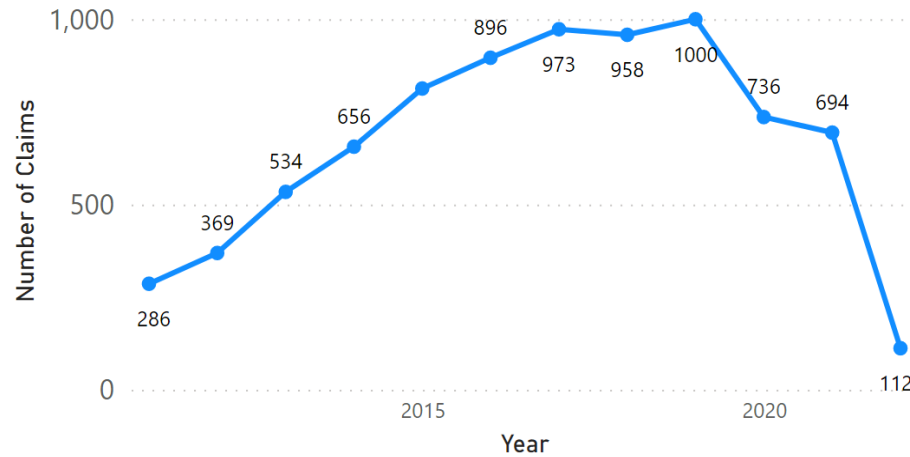
Summary of Claimed and Paid Amounts



**Analyse Claims to identify:**

- 1) Type of Claims by Province
- 2) Amount claimed by Type
- 3) Period with most claims by Volume and Value

Volume Claims by Year

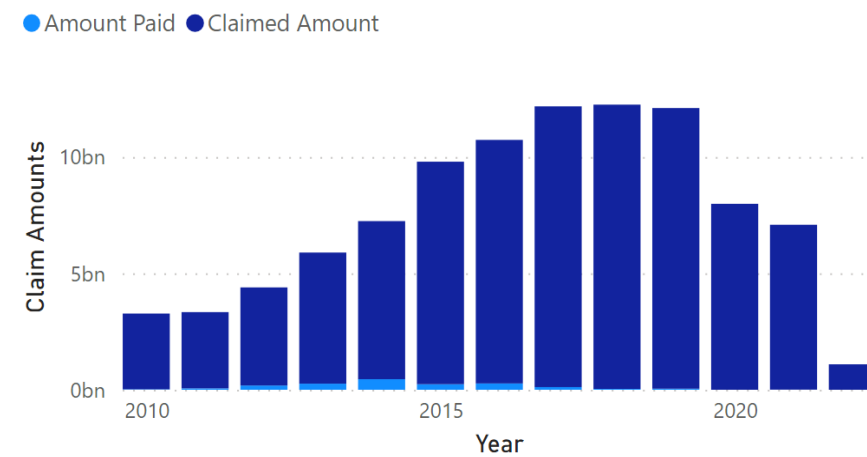


Prov  
All

Year  
All

Incident Ty...  
All

Value of Claims by Year

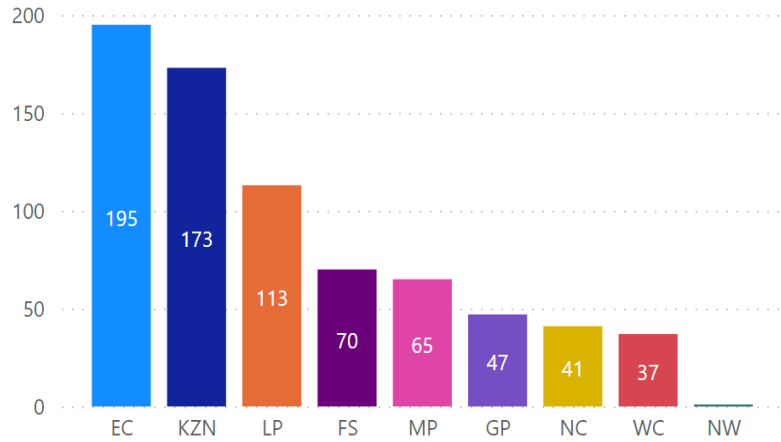


**Observations**

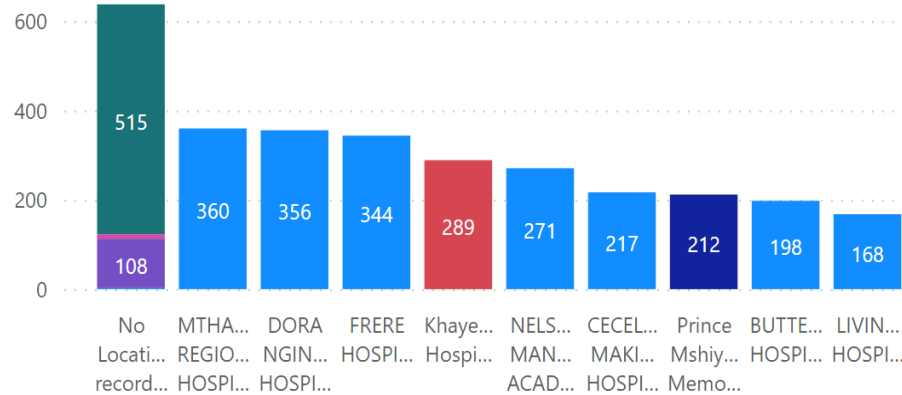
- Most cases of Cerebral Palsy are not standardised (not specific which contributed to poor quality of information available to the sector leadership for the management of claims and decision making processes)
- Possible root causes - could the issue be the competence of staff capturing the information or lack of staff to capture the information?
- Reduction of claims over the past 2 years (3 year claim period).

# Overview: Locations

Locations by Province



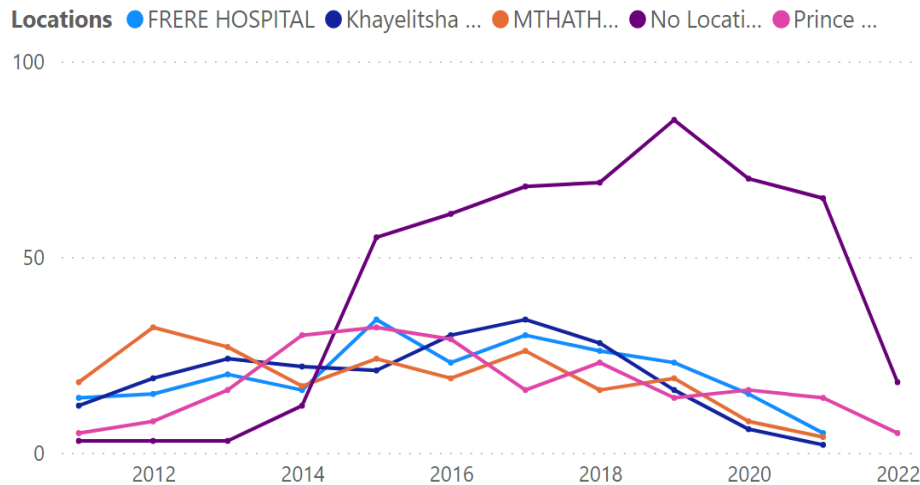
Instances by Location



## Analyse Locations to identify:

- 1) Provinces with highest number of locations
- 2) Specific locations with most claims (High risk)
- 3) Periods at each location when the most claims originated.

Instances by Year



**Prov**  
All

**Year**  
All

**Institutions / Locations**  
All

Locations	Number of Instances
Addington Hospital	1
Amajuba Memorial Hospital	13
Bernice Samuel Hospital	7
Charlestown Clinic	1
Inkosi Albert Luthuli Central Hospital	18
Kwaguga Polyclinic	1
Pelonomi Hospital	1
3 Military Hospital	1
A Mandla Clinic	1
ABERDEEN HOSPITAL	2
Abraham Esau Hospital	1
Addington Hospital	106
<b>Total</b>	<b>1079</b>

## Observations:

- No locations were recorded in the data from NW, which may lead to inconsistent and poor quality data for the management of claims. Indicative of the state of the actual records that are required to support the claims during the court processes?
- Bulk of the cases are from EC, consistent with other messages and challenges on service delivery (What are the drivers for these high cases?)

**Our audit focus:**

Evaluate the **two indicators** included in the NDoH APP relating to medico-legal claims.

Confirm that there were **no budget overruns** for the medico-legal claims project.

Confirm that there was **adequate contract management** on the medico-legal claims project.

**Observations**

- NDoH **did not meet the targets relating to medico-legal** claims set for the 2021-22 reporting period. This could indicate that efforts to curb the medico-legal claims are slow.
- NDoH procured four (4) service providers to assist with the medico-legal claims projects. The scope of the service provider included conducting forensic investigations on top law firms that are litigating against the provinces on the medico-legal matters and forensic investigations on the medico-legal matters as provided by the provincial department.
- Only two (2) service providers performed work related to medico-legal claims during the year under review. The national department budgeted **R39 million** for the medico legal claims project for 2021-22 and also received **R64 million** from provinces as advances towards medico-legal claim. As at 31 March 2022, a total amount of **R93.8 million** had been paid towards the medico-legal project.
- Based on reports from service providers, it appears that the sector is **benefiting from the medico-legal claims project**. In some instances the expert's reports indicated a successful negotiation for **lesser settlements on the medico-legal claims resulting to some savings to the department**.

Indicator	Comments on observations”
A policy and legal framework gazette to manage medico-legal claims in South Africa developed	Policy and legal framework was not gazetted. The South African Law Reform Commission (SALRC) published the Discussion paper on the medico-legal claims project 141 to come up with the legal framework to manage medico-legal claims in South Africa.
Case management System used to manage new medico legal claims in seven (7) provinces.	<p>The NDoH entered into a 3-year contract with a service provider for the <u>development of the case management system</u> to assist with medico-legal matters. The roll out of the system was going to be completed in 8 provinces (WC excluded) by March 2020. As at 31 March 2022 the system had been rolled out to 4 provinces, however it was only used by one province.</p> <p>There was <b>lack of governance structures</b> over ICT projects, which led to <b>inadequate project planning and poor project governance</b>, which resulted in ICT projects being implemented haphazardly. There was no feasibility study conducted for the case management system to determine viability of the project.</p> <p>This resulted in the case management system being rolled out in some province but not used for its intended purpose. In addition, the department derived minimal value from expenditure on support and maintenance of the case management system as the system was only implemented in one province.</p>



## Alternative systems in provinces

Province	Alternative system utilised	Name of system
KwaZulu-Natal	No	N/A - Making use of spreadsheet
Northern Cape	No	N/A - Making use of spreadsheet
Eastern Cape	Yes	eLiability system
Free State	No	No
Gauteng	No	No
Limpopo	Yes	Patient Safety Incident Reporting and Learning Systems (RLS)
Mpumalanga	Yes	Litigation Management & Internally developed case management system
North-West	No	N/A - Making use of spreadsheet

### Impact

- ❖ Lack of systems to support the management of patient safety records. However, PSI guide does not enforce use of systems.
- ❖ Use of manual processes impact on the credibility of the information relating to medico-legal claims. Lack of systems to support the management of medico-legal claims.
- ❖ Management does not have a consistent, cohesive source of information for the management of medico legal claims, impacting on the sector’s ability for timely and strategic decision making for the effective management of claims.

### Financial impact to date

- **Total of R1,2million has been paid to date to CMS** for roll out in all provinces. Only KZN, FS, NC and NW - data imported into the system. Access not granted to users.
- Total of R210 000 was paid for support for all systems however only one (FS) province is utilizing the system.
- There is possible fruitless and wasteful expenditure amounting to R170 000 for roll out not fully utilized.





## Challenges in public health facilities

- Unnecessary loss of life due to medical negligence
- Serious harm due to medical negligence
- Poor record management
- Lack of sufficient resources in the public



## Medico-legal claims

*Due to poor performance and poor record-keeping, money is being diverted away from being spent on improving and delivering quality and timely health care services to the citizens.*

## 2021/22 Focus Areas and Findings

Management of patient safety incidents and patient complaints	Management of medical records	Management of existing medico-legal claims	Implementation of the case management project
<ul style="list-style-type: none"> <li>• <b>lack of dedicated staff or coordinating structures</b> to oversee the management of patient safety incidents and patient complaints</li> <li>• Some of the patient safety incident <b>cases were not closed</b> or the closure of the <b>cases were delayed</b>. Delays were also identified in the closure of patient complaints.</li> <li>• Delays in the closure of patient safety incident cases and patient complaints may increase the likelihood that patients affected by such cases may turn to <b>litigation</b> for redress</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Shortages</b> among administrative staff members</li> <li>• Ineffective medical record tracking systems were implemented to monitor</li> <li>• Medical records were also not always filed in a systematic and orderly manner</li> <li>• Poor practices were identified in the storage, archiving and disposal of medical records</li> <li>• limited use of recommended electronic archiving processes</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Inadequate human resource</b> capacity and <b>lack of medical expertise</b> to manage the medico-legal case load in the Legal services directorate of the provincial Departments of Health, resulted in delays in the finalisation of medico-legal cases</li> <li>• <b>Inadequate communication and coordination</b> was also identified between the Legal services directorate and some healthcare facilities when medical records related to medico-legal claims were requested from healthcare facilities,</li> </ul>	<ul style="list-style-type: none"> <li>• Planned to gazette a policy and legal framework to manage medico-legal claims, <b>not been gazette</b> at year end</li> <li>• Planned to implement a Case Management System (CMS) to streamline case management and reduce contingent liability for March 2022, however only <b>one province has implemented the system</b>.</li> <li>• System does not support the objective of the management of medico-legal claims, therefore the costs incurred on the system could potentially be fruitless and wasteful.</li> </ul>



Province	Total number of claims against department	Total value of total claims		Total value of claim payments made	
	2022	2022	2021	2022	2021
Eastern Cape	4 443	R30 784 682 000,00	R38 842 976 000,00	R38 683 221,00	R866 144 480,00
Free State	410	R5 017 151 663,41	R4 525 725 000,00	R7 050 000,00	R584 004,00
Gauteng	3 783	R23 032 525 914,21	R24 326 745 000,00	R349 495 342,99	R392 000 000,00
Kwazulu-Natal	2915	R31 700 653 860,09	R26 230 576 000,00	R265 883 740,85	R92 882 000,00
Limpopo	1 617	R14 291 785 417,00	R12 316 689 000,00	R77 665 591,02	R79 322 359,00
Mpumalanga	991	R9 600 000 000,00	R10 116 520 000,00	R38 747 577,96	R18 632 319,00
Northern Cape	99	R1 564 225 626,46	R1 961 881 000,00	R27 559 513,00	R229 814 000,00
North West	518	R5 958 891 330,00	R5 657 374 000,00	R25 395 446,40	R44 856 000,00
Western Cape	372	R3 356 241 531,46	R151 558 000,00	R63 859 086,60	R31 990 000,00
<b>TOTAL</b>	<b>15 148</b>	<b>125 306 157 343</b>	<b>124 130 044 000</b>	<b>855 656 299</b>	<b>1 756 225 162</b>

As at 31 March 2022, there were 15 148 claims that have reportedly been lodged against the departments and were valued at R125.3 billion (R124,1 billion 2021). 96% of the claims are attributed to medico-legal claims. During the 2021-22 financial year, the departments paid **R855.6 million (R1 756 million)** towards medico-legal claims.

Majority of the provinces budgeted for the claims and in some cases additional funds were requested from relevant treasury to cover the claims. Although there is an increase in the number of claims, there was a decrease in the claims amounts that were paid out in the current year. The reduction of payment is not an indication of a sustainable reduction as it was mainly due to a timing difference between the time the claim is received, and the time the claim is actually paid. Management must therefore utilise the existing processes more effectively to monitor and keep these claims as low as possible.



## Plans to curb medico-legal claims

Wednesday, February 26, 2020

The National Treasury has unveiled plans aimed at curbing soaring medical malpractice claims and litigation hovering at R100 billion.

In a Budget Review, the National Treasury said claims had increased rapidly.

"Although in many cases the quality of care is insufficient, the increase in claims is inconsistent with certain indicators of health outcomes in the public sector," the report reads.

It cites, for example, how the overall death rate in public hospitals declined from 5.4% in 2013/14 to 4.6% in 2018/19. Maternal mortality in facilities decreased by 20.5% over the same period.

However, since 2014, contingent liabilities and payments of medico-legal claims in the public sector have increased at an average annual growth rate of 30% and 23% respectively. In 2018/19, medico-legal contingent liabilities reached R99.2 billion, while medico-legal claim payments reached R2 billion.

**These payments are affecting the budgets of public facilities and, in turn, the delivery of services," the report states.**

**Due to large lump-sum payments often awarded in malpractice cases, the effects are unplanned.**

The National Treasury said this is a multifaceted problem caused by inadequate quality of care, weak capacity in provincial medico-legal teams, poor administration of medical records, and high profitability for law firms specialising in this area. The report said government now aims to stabilise its liability through a range of interventions and has made progress in several areas.

These include funding reprioritised in the Department of Health's budget to pilot the National Quality Health Improvement Plan in 2020/21.

The department has also contracted law firms with medico-legal expertise to support claim management and provide legal services in some provinces.



MAVERICK CITIZEN

## Medico-legal claims remain Eastern Cape's biggest budgetary headache



### Eastern Cape

The amounts paid for legal claims are not included as part of the appropriation and funds have to be shifted from other services delivery budget lines in order to pay these claims, which continues to negatively impact the financial sustainability of the department.

### Gauteng

Increase contingent liabilities by R1,004 billion with total contingent liabilities amounting to R24 billion. GP settled claims amounting to R369,7 million in CY. Funds were shifted from goods and services to pay medico-legal claims. Legal claims constitute 40% of next years annual appropriation

### KwaZulu Natal

There were 2 360 active medico-legal claims to the value of R16 062 902 316. This puts the department under immense pressure, as payments for these claims were not budgeted for and are paid from the department's voted funds. During the 2021-22 financial year, the department paid R352 436 817 in medico-legal cases.



# Example of claims paid

Province	Case	Out of court settlement or Court order	Amount paid	Facility	Comment
EC	Case 1 // MEC FOR HEALTH	Advised to cede the merits and settle the amount.	Paid R0.3 million instead of R0.5 million	Nelson Mandela Academic and Madwaleni Hospital	Conceded and settled out of court due as no medical record could be found.
EC	Case 2 // MEC FOR HEALTH	Court decided R0.5 million and other costs to follow	Court decided R0.5 million and other costs to follow	Mthatha General Hospital	No supporting documents
EC	Case 3 // MEC FOR HEALTH.	Advised to cede the merits and settle the amount.	To pay R0.8 million instead of R31 million	All Saints Hospital	Conceded and settled out of court due as no medical record could be found.
EC	Case 4 // MEC FOR HEALTH	Advised to cede the merits and settle the amount.	Paid R1.3 million instead of R6.5 million	Nelson Mandela Academic and Madwaleni Hospital	Conceded and settled out of court due as no medical record could be found.
MP	Case 5 vs MEC	Paid R1.8 million instead of R5.1 million through court	Paid R1.8 million instead of R5.1 million through court	Barberton Hospital	Negligence
MP	Case 6 Vs MEC	Advised to cede the merits and settle the amount.	Paid R1 million and other future cost still coming	Themba Hospital	Negligence
MP	Case 7 vs MEC	Advised to cede the merits and settle the amount.	Paid R2 million and other future cost still coming	Amajuba Hospital	Negligence
FS	Case 8 vs MEC	Advised to cede the merits and settle the amount.	Paid R6 million instead of R21.5 million	Boitumelo Regional Hospital	Negligence
FS	Case 9	Advised to cede the merits and settle the amount.	Paid R0.3 million instead of 2.7 million	Universitas Academic Hospital	Negligence

Of the nine (9) cases included above, the most were also noted to have been out of court settlements, with four (4) due not having adequate supporting evidence.

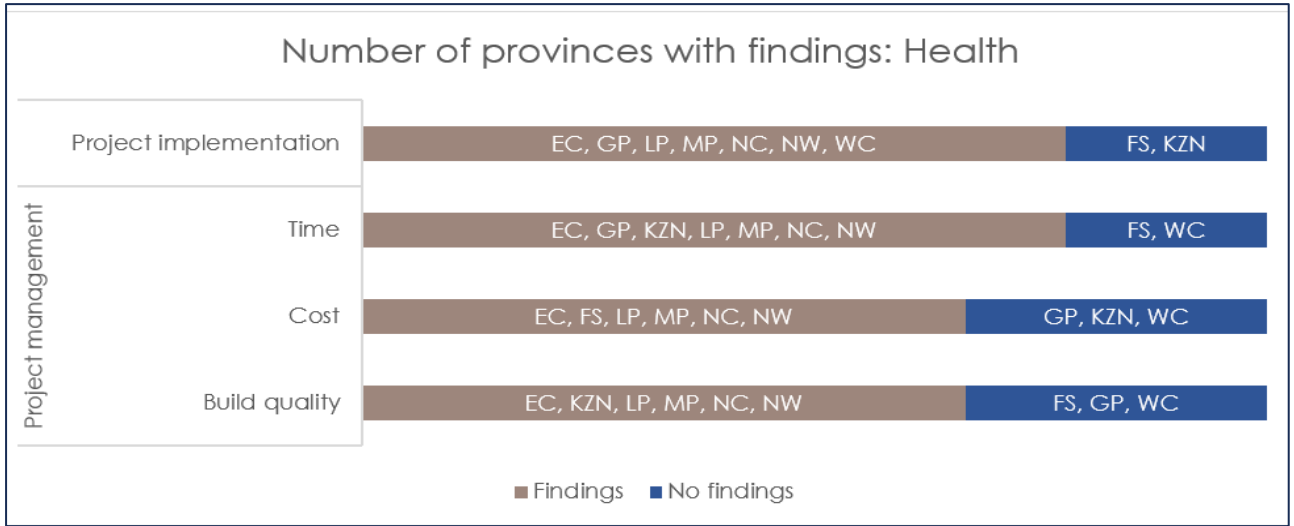
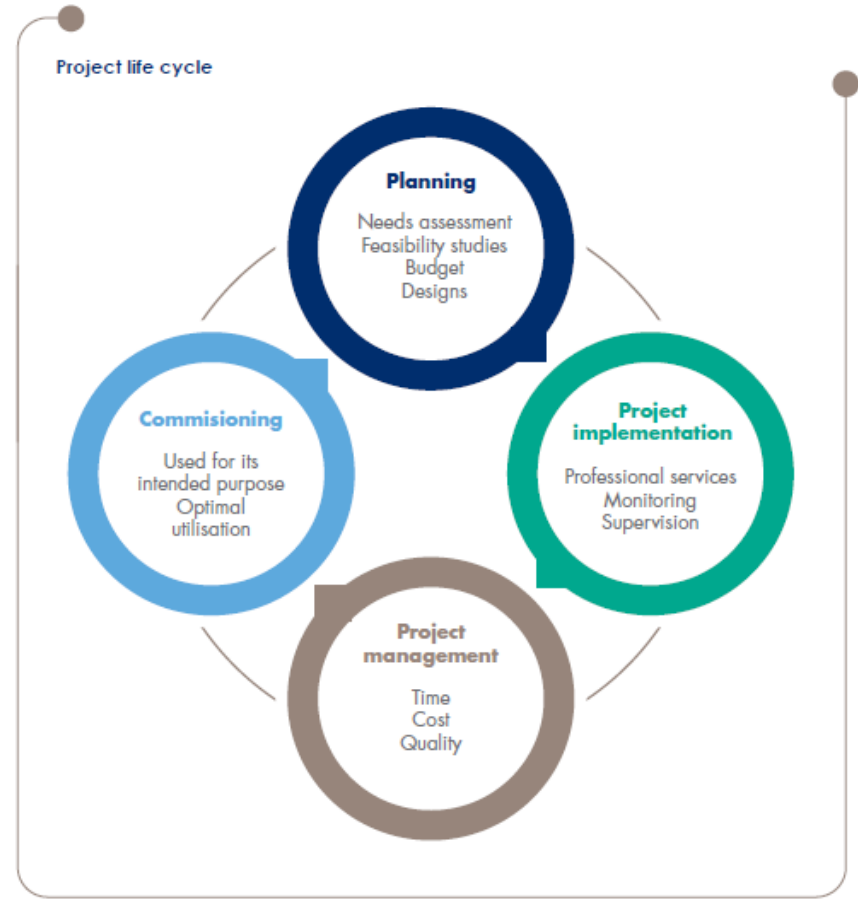
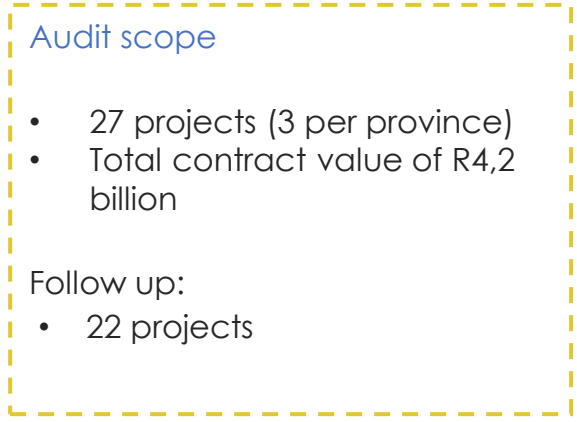
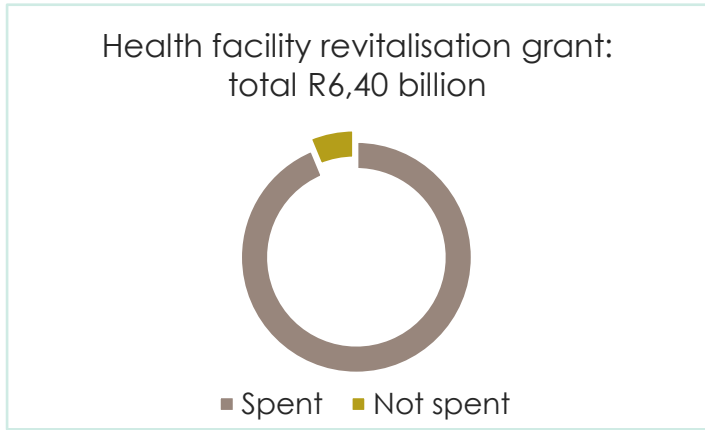









# Health sector focus areas: Infrastructure



For the 2021-22 audits, we focused on grant management across sectors. The audit included an assessment of the department's utilisation of the Health facility revitalisation grant. Key projects funded by this grant were identified, tested and reported on



The department is struggling to provide quality health facilities in a successful and timely manner.

	Deficiency	Effect
	Inadequate needs assessment and project planning	Cannot provide timely and effective access to finished facilities
	<ul style="list-style-type: none"> <li>Ineffective project implementation (monitoring and supervision) and management;</li> <li>Lack of consequence management to rectify problems and encourage accountability from both client and contractor not always taken</li> </ul>	Cannot drive progress and identify & deal with roadblocks and issues that might arise during execution
	Ineffective project management	<ul style="list-style-type: none"> <li>Progress remains slow and projects already delayed incurred even further delays (time)</li> <li>Increased project cost and financial losses (cost)</li> <li>Poor workmanship and quality issues (quality)</li> </ul>
	Other factors: protest actions or community unrest	Affecting the successful and timely completion of several projects; delays and increased cost
	<p>The follow up on prior year findings confirmed the inability of <u>some</u> accounting officers to implement a responsive action plan to address findings. This is indicative that our call for action has not been taken seriously, and we therefore have repeat findings.</p>	



Infrastructure projects' gaps reported impact the ability of the sector to provide timely and agile health care services to the citizens in many parts of the country



Not all the health facility projects included for a follow-up, yielded repeat findings. However, in some instances, the follow-ups did confirm the inability of some accounting officers to implement a responsive action plan to address findings. This impacts on the timely delivery of quality health care facilities in an efficient and effective way. For example:

## Tshilidzini Hospital Laundry (LP)

The laundry facility was again not fully utilised, although the section for clean laundry was operational.

- Machines in certain sections not completely installed due misaligned positioning of plumbing and drainage system - need to be redone.
- Certain sections used as storage.

Management identified the reasons for the inadequate work and has instructed Public Works as the IA to take steps to remedy the situation.

In the prior year, the project had incurred delays of 246 days with cost implications amounting to R367 347.57 (delay in the hospital's laundry decanting process). The cost was not disclosed as fruitless and wasteful, therefore the current year's disclosed fruitless and wasteful expenditure is understated.

Installed machines not operational.  
\*Pics taken by auditors



Sections of the laundry facility were utilised to store some of the hospital equipment.  
\*Pics taken by auditors





## Charlotte Maxeke (GP)

Upgrading and renovations - psychiatric wards (3 phases).

➤ Three contractors were appointed for this project.

The 2<sup>nd</sup> contractor was terminated in 2016, due to the tender documents not including the electrical and mechanical specifications.

The contractor was given the opportunity to reprice these items however, the department decided to terminate the contract because the pricing submitted by the contractor (R8 328 438) would result in a variation of more than 20% of the original contract of R10 894 980.

The replacement contractor was appointed only in 2018, 16 months later.

The new contract value was R24 063 025,32, which was more than the repriced contract value of the original contractor of R19 223 417,76 (R8 328 437,76 + R10 894 980).



\*Pics downloaded



The omission of the electrical and mechanical specifications from the tender documents resulted in the termination of the contractor and the appointment of another contractor at a price higher than the repriced contract from the terminated contractor. This also delayed the community in having access to the psychiatric ward as originally planned.



## Sekhing CHC (Construction of a new Community Health Clinic) (NW)

Delay of **more than 7 years** (original contract period was 22 months).

The following, inter alia, contributed to the delay:

- Extensions of time where 216 of 284 days the department or the project manager was at fault
- Slow progress and project at standstill over a period of three years and three months February 2019 and May 2022.
- Site handover was delayed.
- Not all construction information made available at site handover and during the project.
- Approval of variation orders took long, in one instance the VO was approved nine months later
- Inadequate monitoring of first consultant and project team.
- Intervention by the department and termination were not in time to ensure progress on the project.

At time of site visit in May 2022:

- water connection services was still outstanding due to water shortage in the area
- some medical equipment (dental chairs and surgical lights) was already delivered and installed but could not be utilised until commissioning of the building



\*Pics downloaded



The delay impacted negatively on the community, as they have to access healthcare services at other public healthcare facilities, which required them to travel away from their local area. Citizens therefore have to incur additional costs to seek healthcare in other facilities.



## Rob Ferreira Hospital (MP)

- Repairs and upgrades to electrical installation, mechanical installation, fire installation and other for staff accommodation.
- Project duration 10 months, contract amount R15 359 300
- Planned completion date of 27 September 2020.

The contractor was however terminated on 30 November 2020 due to poor performance.

2<sup>nd</sup> contractor commenced January 2021 and had planned to complete the project within a duration of 6 months.

2<sup>nd</sup> contractor ceded project to 3<sup>rd</sup> contractor for an amount of R4 830 199,74 in February 2022,

- No documents provided to indicate the reasons for ceding the project.
- No evidence to indicate that penalties amounting to R327 335,58 were imposed for the period of 19 November 2021 up to 8 February 2022.

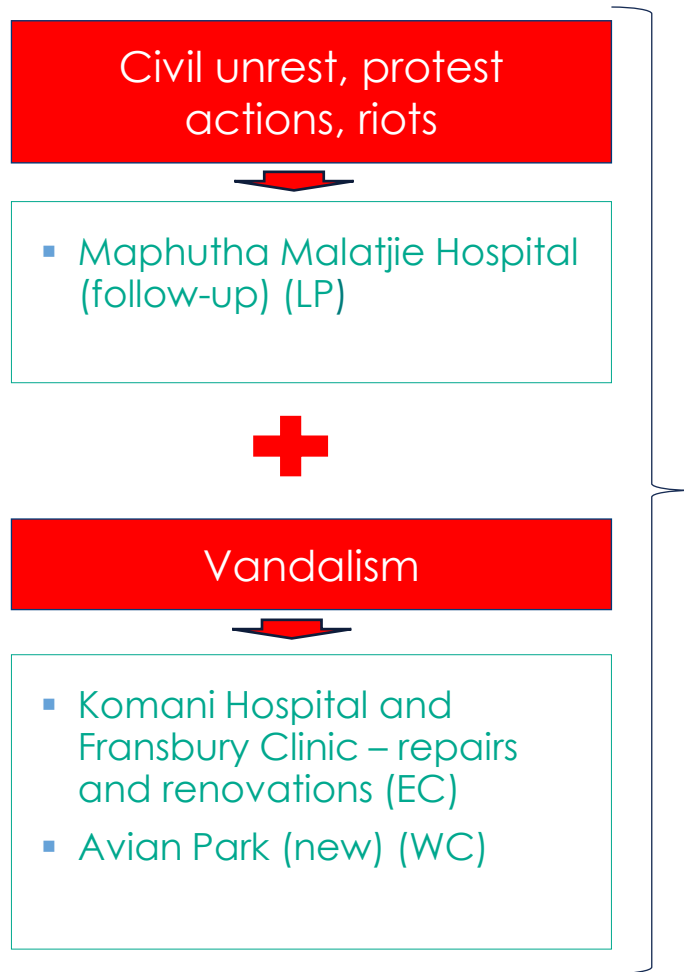


\*Pics downloaded



The project has been delayed by approximately 20 months; as a result, the hospital staff do not have accommodation at the facility.



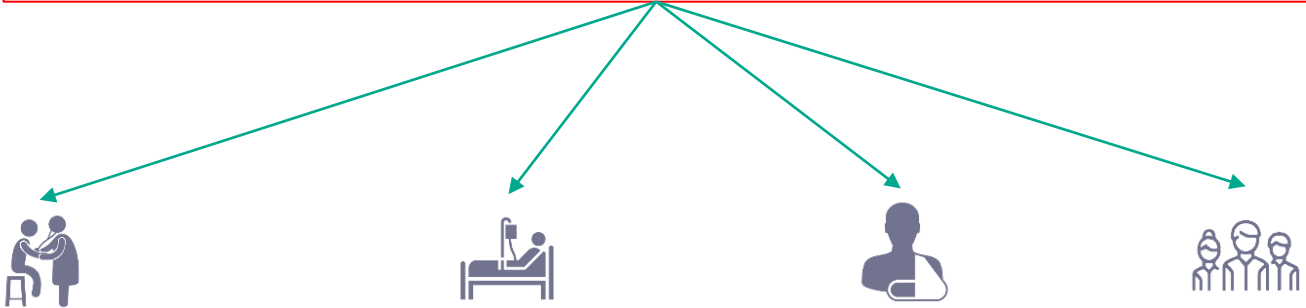


**Impact of all this, regardless of whether or not it could have been managed by the department:**

Damage to infrastructure amounts to millions of rands, ultimately affecting service delivery and the economy as a whole.

It contributes to the delay in completion of the project as well as increased cost.

Many service delivery protests take place under conditions characterised by malicious damage to property. Government has the responsibility to mobilise economic resources towards the improvement of lives of all citizens.





**Mmabatho Nurses college (NW)**- Brickwork incomplete and the steel column above the upstand beam not within the width of the beam and the construction of a staircase that is not in accordance with building regulation SANS10400-M, MM2.3. The step of the staircase is exceeding allowance of 200mm.



**Mmabatho nurses college (NW)** - Concrete beams casted separately in parts, with the visible crack lines. Concrete overlap in an attempt to repair the cracks.



**Mmabatho nurses college (NW)** - Inadequate load bearing columns for the span of the concrete floor slab above.



There are many contributing challenges and a holistic approach is required to improve infrastructure service delivery. Some of the root causes identified during the audits on infrastructure delivery are highlighted below:



Lack of adequate coordination by the departments with other government institutions such as municipalities and IAs.



Lack of adequate enforcement of action plans on non-performance challenges to ensure that concerns are addressed through appropriate interventions and actions. **Over reliance on external consultants monitoring and reporting on the quality and progress of key infrastructure projects.**



Lack of project management skills at departmental level. **With much- reliance on the professional teams/implementing agents that were appointed to manage the projects.** These professional teams/implementing agents are not effectively managed by the departments.



Inadequate consequence management



Lack of accountability (officials not acting decisively) which impacted poorly on project management by *not*:

- Enforcing deliverables provided for in the agreement to ensure that projects were completed within a timely manner.
- Ensuring services were received before the contractor was paid to avoid incurring fruitless and wasteful expenditure.
- Monitoring certain projects to ensure that quality standards were met.
- Approving Variation Orders/ EoTs in a timely manner.



Improve planning processes of projects to ensure that correct needs are identified and addressed.

Manage projects adequately. Address deviations from the contract or poor performance promptly in terms of the contract. (implement penalties or terminations immediately once the deviation is discovered.)

Prioritise completing projects and avoid the risk of unnecessary time delays and cost escalations.

Improve project management and monitoring to ensure that all instances of poor workmanship are promptly identified and rectified.

The AGSA compiled a preventative control guide on infrastructure in 2021, drawing on the experience of past infrastructure audits. The guide provides valuable direction for the leadership and governance structures of auditees to improve the service delivery associated with infrastructure.



Management at some institutions indicated that initiatives, such as implementing a Project Management Information System (PMIS) to manage projects, to streamline project schedules to monitor the project's financial and non-financial performance, have been put in place.

Some committed to improve

- communication between professional teams and the client department
- monitoring of projects to ensure that delays are prevented or limited and the projects are completed on the agreed time
- timely submission and approval of paperwork for compensation events such as variation orders or EoTs

Departments also indicated that they would ensure there is adequate planning and monitoring of projects in line with project management principles, incurring of interest would be investigated, ensure sufficient controls are implemented over the payment of invoices within the due dates.

**In some instances the contractor was already rectifying identified issues.**





# E-Health Strategy



## Implementation of the E-health strategy

The department has made some progress in advancing the use of technology for medical services. Noticeable examples include the implementation of the Electronic Vaccine Management System (EVDS), which was essential in managing vaccine information while the Vaccine Certificate System (VCS) played a key role in providing vaccine statuses.

However, the progress made in the implementation of the eHealth and now, the National Digital Strategy remains concerning.

These strategies are key in supporting the health sector priorities as articulated in the National Development Plan (NDP) and in line with the current NHI transformation imperatives towards Universal Health Coverage (UHC).

### Key observations: National Digital Strategy

- No root-cause analysis done to assess failures of the eHealth by the provinces.
- There was a lack of governance structures to exercise oversight over the implementation of the NHI systems and supporting Digital Strategies. The National Health Information Systems Committee of South Africa (NHISSA) committee meetings not held in the provinces.
- The newly developed National Digital Health Strategy is broad and does not provide the guidance needed by the sector to advance digitization.
- Provinces did not develop Digital Strategies for their provinces to be in line with the National Digital Health Strategy.
- Budgeting for the implementation of the Digital Strategy was not done by most provinces.
- Initiatives for infrastructure supporting Digital Strategy were not planned for or not in place.



**Impact:**

- Current progress impact the roll out of the systems and infrastructure supporting the NHI.
- The provinces are also moving ahead with their own implementation without the intended guidance from the national department creating room for different implementation and interpretation, hampering standardisation and interoperability of systems for consistent and quality medical care for all citizens across the country.

### Key observations: Health systems:

- Availability of systems was not monitored. The provinces were not proactively monitoring system availability. Health systems could be down and no one would know until users or facilities bring to the attention of IT staff.
- Lack of system integration to facilitate health services.



**Impact:**

- Inadequate incident and problem management, negatively impacting on health services that are dependent on IT systems.
- Information management and reporting to enable management to make decisions and plan properly, is negatively impacted.



The National Digital Strategy included initiatives and timelines that were meant to be implemented in 2021 and 2022 financial years.

Due to the Covid-19 pandemic, the department was not able to direct resources towards the implementation of the strategy during the past two years.

The department should review and update the impacted initiatives and timelines.

Furthermore, the department should support provinces in implementing the Strategy.

### Root causes:

- The National Digital Health Strategy was approved in 2019 and its implementation was impacted by the efforts directed towards the Covid-19 pandemic
- Minimal IT budgets and resources impacting on the implementation of the strategy.
- Minimal oversight over IT processes.

### **Recommendations**

- Review the National Digital Health Strategy to ensure it provides the guidance required for a successful and relevant roll-out.
- Review and update significant initiatives and timelines to ensure that the project is implemented timely.
- Implement appropriate governance structures to monitor the implementation of the Strategy, including the support required for provision of the budget and resources to promote accountability and ownership for the implementation of the project.
- Implement appropriate measures to monitor and timeously resolve availability of critical IT services.





# MATERIAL IRREGULARITIES HEALTH PORTFOLIO



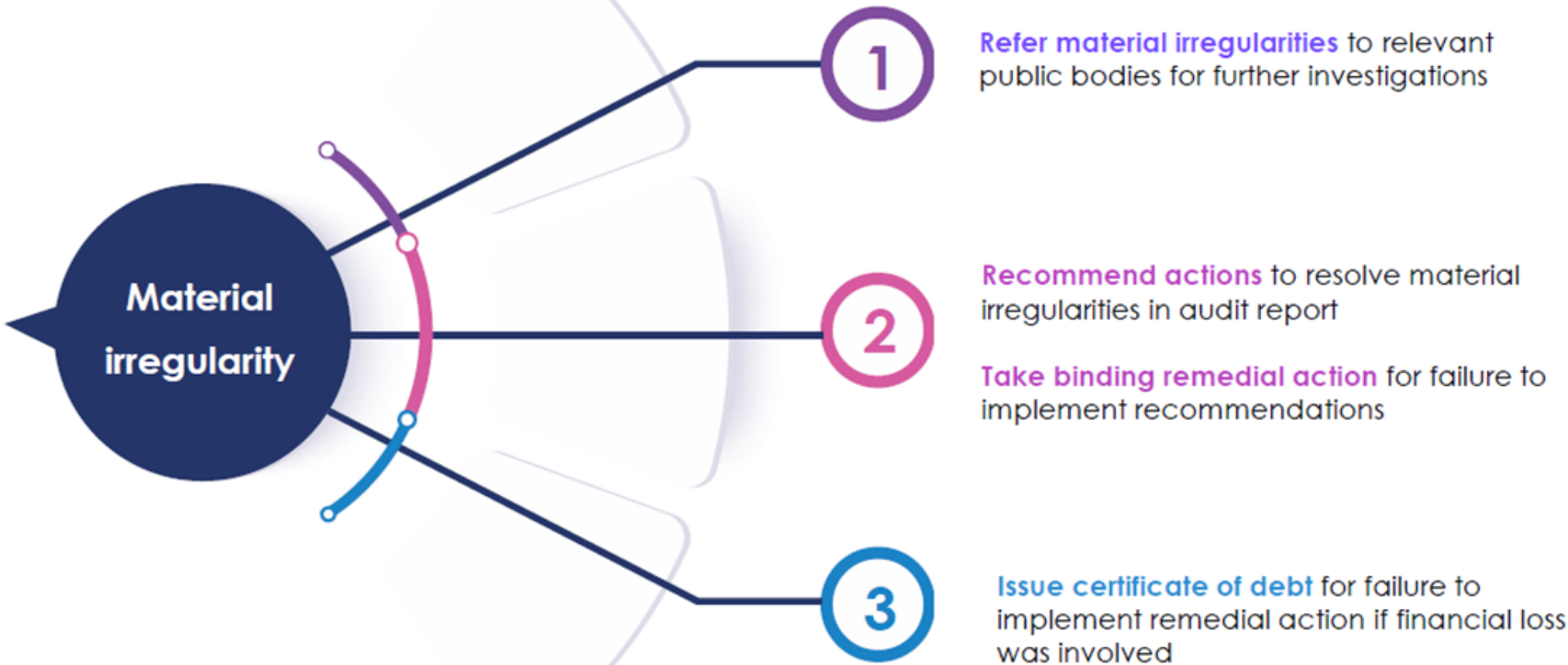
# Implementation of material irregularity (MI) process

The material irregularity process is implemented at selected auditees audited by the AGSA that represent **a significant portion of the expenditure budget and the irregular expenditure** of national, provincial and local government, including state owned entities.

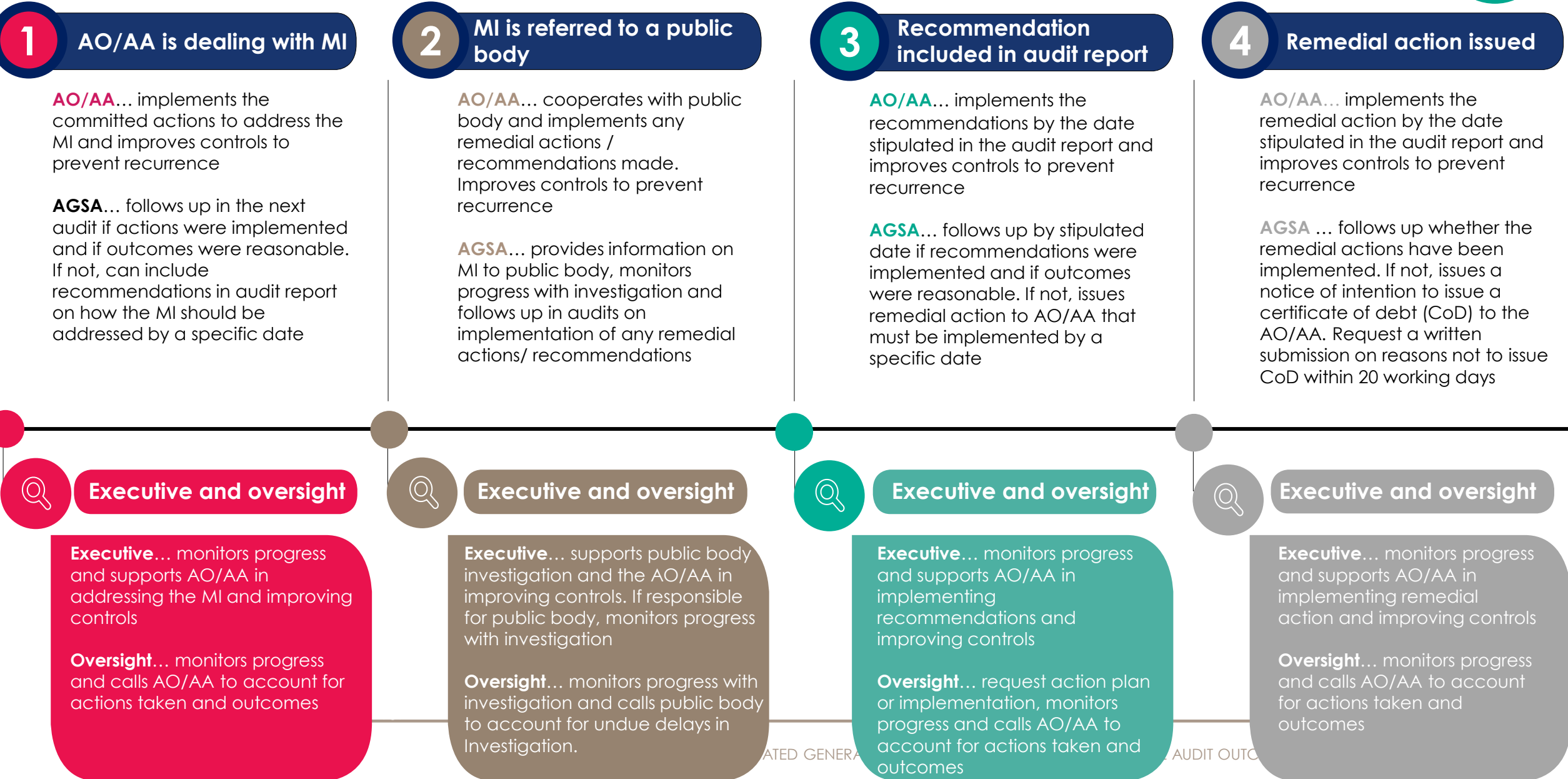
All departments in the health sector were scoped in for MI in the current year

means any **non-compliance** with, or **contravention** of, legislation, **fraud**, **theft** or a **breach of a fiduciary duty** identified during an audit performed under the Public Audit Act that **resulted in or is likely to result in a material financial loss**, the **misuse or loss of a material public resource**, or **substantial harm to a public sector institution or the general public**

If **accounting officer / authority** does not appropriately deal with material irregularities, our expanded mandate allows us to:



# Identified MIs – next steps and responsibilities



## 1 AO/AA is dealing with MI

**AO/AA...** implements the committed actions to address the MI and improves controls to prevent recurrence

**AGSA...** follows up in the next audit if actions were implemented and if outcomes were reasonable. If not, can include recommendations in audit report on how the MI should be addressed by a specific date

### Executive and oversight

**Executive...** monitors progress and supports AO/AA in addressing the MI and improving controls

**Oversight...** monitors progress and calls AO/AA to account for actions taken and outcomes

## 2 MI is referred to a public body

**AO/AA...** cooperates with public body and implements any remedial actions / recommendations made. Improves controls to prevent recurrence

**AGSA...** provides information on MI to public body, monitors progress with investigation and follows up in audits on implementation of any remedial actions/ recommendations

### Executive and oversight

**Executive...** supports public body investigation and the AO/AA in improving controls. If responsible for public body, monitors progress with investigation

**Oversight...** monitors progress with investigation and calls public body to account for undue delays in investigation.

## 3 Recommendation included in audit report

**AO/AA...** implements the recommendations by the date stipulated in the audit report and improves controls to prevent recurrence

**AGSA...** follows up by stipulated date if recommendations were implemented and if outcomes were reasonable. If not, issues remedial action to AO/AA that must be implemented by a specific date

### Executive and oversight

**Executive...** monitors progress and supports AO/AA in implementing recommendations and improving controls

**Oversight...** request action plan or implementation, monitors progress and calls AO/AA to account for actions taken and outcomes

## 4 Remedial action issued

**AO/AA...** implements the remedial action by the date stipulated in the audit report and improves controls to prevent recurrence

**AGSA ...** follows up whether the remedial actions have been implemented. If not, issues a notice of intention to issue a certificate of debt (CoD) to the AO/AA. Request a written submission on reasons not to issue CoD within 20 working days

### Executive and oversight

**Executive...** monitors progress and supports AO/AA in implementing remedial action and improving controls

**Oversight...** monitors progress and calls AO/AA to account for actions taken and outcomes

Province	Notified	Type	MI description	Status of MI	Status description
EC	31 Aug 2021	Payment not made or not made in time, resulting in interest/standing time/penalties	The department did not pay a contractor within the required 30 days. The supplier left the site and charged the department for standing time, which the department paid without receiving any additional value.	Recommendations - follow-up not yet due	The AO did not take appropriate action to resolve the MI. We notified the AO of recommendations, which should be implemented by 4 November 2022.
FS	15 Dec 2021	Payment for goods or services not received	Payments made for work not performed at the national hospital for repairs and renovations of workshop, garages, laundry, pharmacy and kitchen	Appropriate actions - follow-up not yet due	The AO is taking appropriate action:
FS	15 Dec 2021	Payment for goods or services not received	Payments for work not performed at the national hospital for repairs and renovations of doctor's residents and outpatient building	Appropriate actions - follow-up not yet due	The AO is taking appropriate action:
GP	24 June 2019	Procurement non-compliance, resulting in overpricing of procured goods and services	Procurement of V-blocks IT infrastructure without inviting competitive bids	Appropriate actions - follow-up not yet due	<p>Based on the outcomes of a departmental investigation finalised in September 2018, the AO had concluded the disciplinary steps against the two officials, and all were found guilty.</p> <p>The state attorney is still considering whether civil claims can be instituted against the implicated officials, and the National Prosecuting Authority is considering possible criminal charges against the implicated officials. The contract ended during the 2020-21 financial year.</p>



Province	Notified	Type	MI description	Status of MI	Status description
GP	24 June 2019	Payment not made or not made in time, resulting in interest/standing time/penalties	Medical claims not paid within the period specified in the court judgement	Resolved	This matter is resolved - no status to be reported.
GP	31 Aug 2021	Payment not made or not made in time, resulting in interest/standing time/penalties	Interest on late payments of court orders	Appropriate actions - follow-up not yet due	The department embarked on a legislative drafting project during 2021 to draft the Gauteng medical litigation and mediation bill. The purpose of the bill is to provide a legislative mechanism for amongst others: o amending the facility admission forms to include a mandatory provision that when a serious adverse event takes place, the first option before litigation may commence should be mediation; on the provision of future medical treatment and related health care requirements at state facilities instead of paying lump sum to plaintiffs.
GP	15 Oct 2021	Uneconomical procurement resulting in overpricing of goods and services procured	Procurement of masks at excessive prices	Appropriate actions - follow-up not yet due	The Special Investigation Unit (SIU) has referred matters to the Competition commission to adequately investigate the price overcharge.
GP	15 Oct 2021	Uneconomical procurement resulting in overpricing of goods and services procured	Procurement of sanitisers at excessive prices	Appropriate actions - follow-up not yet due	The SIU has referred matters to the Competition commission to adequately investigate the price overcharge. Further, the National Prosecuting Authority (NPA) referred evidence to the National Prosecuting Authority to consider whether criminal charges can be instituted against the implicated official.





Province	Notified	Type	MI description	Status of MI	Status description
KZN	12 Feb 2021	Uneconomical procurement resulting in overpricing of goods and services procured	Procurement of sanitiser/ detergent at prices higher than permissible	Appropriate actions - follow-up not yet due	The matter was investigated by the Special Investigations Unit from which R500 000 of the material financial loss was recovered from the supplier. Furthermore, responsible officials from the department were issued with warning letters. Follow up on the recovery of the remainder of the financial loss in my next audit.
KZN	25 June 2019	Procurement non-compliance, resulting in overpricing of procured goods and services	Radiology equipment contracts awarded to bidders that did not score highest points in the evaluation process	Resolved	The actions taken by the accounting officer were considered sufficient and appropriate in addressing the material irregularity.
LP	20 July 2020	Inefficient use of resources – no benefit derived from cost	Rental payments for radiology equipment not in use	Appropriate actions - follow-up not yet due	The accounting officer concluded a formal investigation into the matter on 4 March 2021 and identified seven individuals that played a role in the material irregularity. Letters of notice of disciplinary hearing were issued to five officials who did not execute their duties as expected, on 1 April 2022.  The financial loss was recovered in full as at 30 June 2022.
MP	6 Oct 2021	Fraud, resulting in loss	Fictitious payments made from infrastructure maintenance budget	Appropriate actions - follow-up not yet due	The AO is taking appropriate action and the matter is with the SAPS. Once the investigation is concluded, we will evaluate further actions taken by the AO.
NC	18 July 2019	Procurement non-compliance, resulting in overpricing of procured goods and services	Evaluation criteria applied in medical waste award different from original bidding invitation	Referral - investigation in process	The AO did not agree that there had been non-compliance in the procurement process. We referred the matter to the National Treasury in October 2019 for investigation. The National Treasury concluded that further investigation of specific identified aspects will be required and referred those to the DPCI for further investigation. The National Treasury confirmed that all the actions to be taken following the outcome of the investigation will be dealt with through the DPCI investigation.



# MIs identified

Province	Notified	Type	MI description	Status of MI	Status description
NC	17 July 2019	Payment for goods or services not received	Overpayment for radiology services	Appropriate actions - follow-up not yet due	The case was referred by the AO to the Hawks on 20 January 2021. Outcome of the investigation is still awaited. We will follow-up on the progress during the 2022-23 audit cycle.
NW	18 Sept 2020	Payment not made or not made in time, resulting in interest/standing time/penalties	Contractors not paid within 30 days (2019-20)	Appropriate actions - implementation information requested	The investigation report was finalised in November 2021 and recommended that financial loss be recovered from implicated officials through internal legal services. The accounting officer is in process of taking disciplinary steps against the implicated officials and recovering the financial loss. Disciplinary hearings that commenced during June 2022 and is currently ongoing.
NW	29 Sept 2020	Payment for goods or services not received	Advance payment to contractor of Mmabatho Nursing College	Appropriate actions - implementation information requested	The investigation confirmed that R9 356 468 was paid without services being rendered and should be recovered from the contractor and that R2 898 780 should be recovered from officials. The department performed a cost reconciliation and recovered the advance payment of R9 356 468 from the contractor through interim payment certificates. The investigation of the R2 898 780 to determine which officials are liable for the loss was finalised in November 2021 and recommended that disciplinary actions be taken against implicated officials. The accounting officer is in process of taking disciplinary steps against the implicated officials and recovering the financial loss through disciplinary hearings that commenced during June 2022 and is currently ongoing.
NW	29 Sept 2020	Procurement non-compliance, resulting in overpricing of procured goods and services	Functionality points incorrectly calculated on maintenance contract	Appropriate actions - implementation information requested	An internal investigation concluded on 8 June 2021 that the responsible official resigned and recommended that the accounting officer should seek a legal advice prior to initiating the process to recover the financial loss and take the necessary action. The department's legal advisor recommended that the matter should be handed over for civil recovery and the accounting officer referred the matter to the state attorney on 25 August 2021. On 5 July 2022 the accounting officer terminated the mandate of the state attorney due to slow progress on the matter and is in the process of appointing a service provider to take over the case from the state attorney. It is anticipated that the service provider will be appointed in August 2022 to continue with the civil recovery.



# MIs identified

Province	Notified	Type	MI description	Status of MI	Status description
NW	29 Sept 2021	Payment for goods or services not received	Overpayments to contractor of Excelsius Nursing College	Appropriate actions - implementation information requested	An investigation into the matter was finalised in July 2021 and recommended that disciplinary actions be taken against implicated officials and financial loss be recovered from the contractor. The accounting officer is in process of taking disciplinary steps against the implicated officials through disciplinary hearings that commenced during June 2022 and is currently ongoing. On 22 July 2022 the accounting officer gave the contractor notice of intention to recover over payments through a recovery statement.
NW	29 Sept 2021	No benefit from cost (including standing time)	Overpayments to contractor of Jouberton Community Health Centre	Appropriate actions - implementation information requested	The investigation concluded on 14 July 2021 and recommended that the overpayment should be recovered from the parties involved and disciplinary steps be taken against implicated officials. On 22 July 2022 the accounting officer notified the contractor of the recovery of the overpayment from the contractor's 'preliminary and general' balance due by the department. The accounting officer is in process of taking disciplinary steps against the implicated officials through disciplinary hearings that commenced during June 2022 and is currently ongoing.
NW	8 Feb 2021	Inefficient use of resources – no benefit derived from cost	Price paid for maintenance of medical equipment not market related	Appropriate actions - follow-up not yet due	An internal investigation into the material irregularity was initiated and completed on 31 May 2021. In light of the seriousness of the preliminary findings, the accounting officer handed over the matter to the Directorate of Priority Crimes Investigation (Hawks) for criminal investigation and recovery on 1 June 2021 as recommended by the investigator. This investigation is still underway.



# MIs identified

Province	Notified	Type	MI description	Status of MI	Status description
NW	15 Oct 2021	Payment not made or not made in time, resulting in interest/standing time/penalties	Suppliers not paid within 30 days (2020-21)	Appropriate actions - implementation information requested	An investigation was instituted into the matter on 14 May 2022. The accounting officer committed to finalise the investigation and avail the final report by end of August 2022. The accounting officer plans to recommend necessary action against the officials found responsible based on the outcome of the investigation
NW	15 Oct 2021	Debt not recovered	Reasonable steps not taken to recover debts	Resolved	The material irregularity was resolved as the patient fees, which was written off during the 2020-21 financial year of R65 635 229 have been reversed in the financial statements submitted on 31 May 2022 for 2021-22.
NW	15 Dec 2021	Under-utilisation of a material public resource	Jouberton Community Health centre not fully utilised	Appropriate actions - follow-up not yet due	<p>Facility was not fully operational mainly due to staff shortages, but that the department managed to fill some of the critical positions and 14 of the 16 units in the facility has subsequently been opened and is currently operational.</p> <p>The audit team visited the facility on 10 March 2022 and confirmed that all units, except for the theatre and crisis centre, have been opened, however the facility is not operating at full capacity. The department further indicated that the staff structure for the health centre was finalised on 20 July 2022 and the recruitment will commence in August 2022. It is expected that the vacant positions will be filled by February 2023 and the facility will be fully operational.</p> <p>The progress on the implementation of the planned actions will be followed up by the due dates.</p>



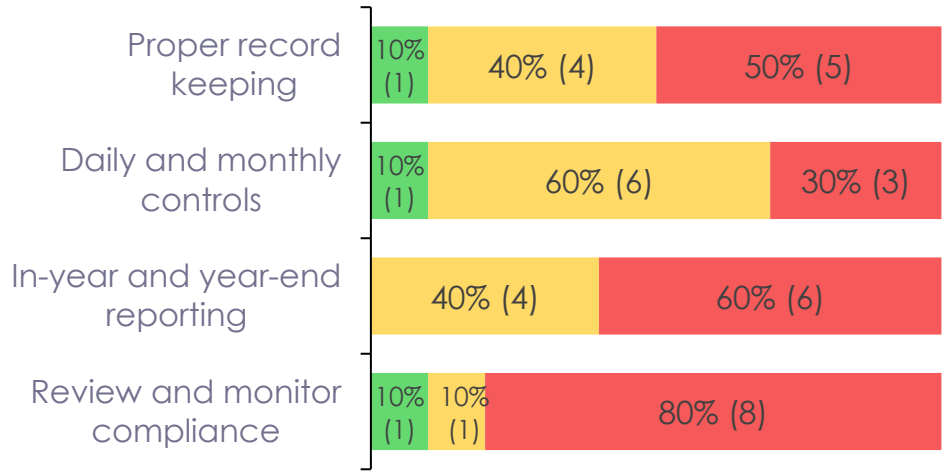


# Financial management and compliance

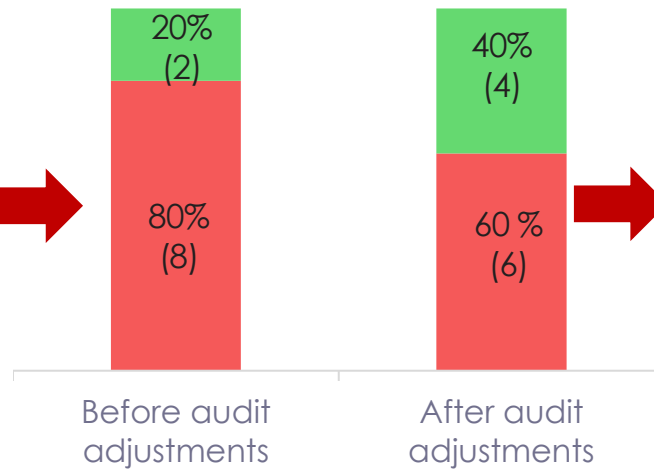


## Impact on quality of financial statements submitted for auditing

### Financial management controls



■ Good   
 ■ Of concern   
 ■ Intervention required



■ Unmodified   
 ■ Modified

### Main qualification areas

- Property, infrastructure and plant and equipment
- Irregular expenditure
- Contingent liabilities and commitments
- Compensation of employees
- Accruals and payables not recognised
- Accrued revenue

### Impact

- Misstatements are not detected
- Financial statements are not supported by reliable evidence
- No evidence to support financial statements



# Impact on funds available for quality healthcare

Province	2022/23 appropriation	Accruals and Payables not yet recognised	Claims against the Department**	Fruitless and Wasteful**
EC	5 413 899 000	4 659 984 000	30 779 923 000	110 332 000
FS	27 362 251 000	619 971 000	4 579 555 000	228 168 000
GP	4 127 283 000	6 322 118 000	24 030 018 000	250 968 000
KZN	21 975 775 000	1 485 045 000	14 206 274 000	4 151 000
LP	18 219 306 000	357 510 000	14 586 114 000	777 000
MP	5 708 333 000	449 601 000	10 202 780 000	1 942 000
NAT	6 108 443 000	750 970 000	15 373 000	1 513 000
NC	2 319 773 000	397 234 000	1 803 995 000	93 246 000
NW	3 716 954 000	1 322 914 000	3 365 414 000	145 749 000
WC	10 561 955 000	428 911 000	86 770 000	12 000
<b>Total</b>	<b>105 513 972 000</b>	<b>16 794 256 000</b>	<b>95 131 317 114</b>	<b>836 858 000</b>
* % of 2023/23 appropriation		<b>16%</b>	<b>90%</b>	<b>1%</b>



**The situation in the sector is concerning** as significant increases in medico-legal claims is putting the sector under immense pressure. The financial strain resulted in increased accruals and late payments of suppliers.

16% of the remaining appropriation after deducting transfers, subsidies and compensation of employees, has to fund accruals. This amount which relates to unpaid invoices was reported at R16 087 million for the 2021-22 year (2020-21: R14 978 million). This represents funds that would have been utilised in the 2022-23 year for rendering services to the citizens, that was committed to settle the 2021-22 expenditure. This means the sector is consistently borrowing from future allocations to fund current year expenses, forcing management to continuously make choices of which activities/service to prioritise and which to suspend, further disadvantaging citizens.

The delayed payments may attract fruitless and wasteful expenditure as suppliers charge interest on late payments. These payments are affecting the budgets of public facilities and in turn will have a detrimental effect on the ability of the sector to deliver healthcare services.

Total claims against the health sector was 90% of the appropriation. If these claims are not managed efficiently as highlighted in the medico-legal claims above, these may result in medical legal claims being paid by the sector, further putting pressure on the available funds for service delivery.



**Doubt whether auditees can continue as going concern**



\*(excluding compensation and transfers)  
\*\* Current year closing balances





2021-22



● No material findings    ● Material findings

MOVEMENTS FROM PREVIOUS YEAR:  
0 ↑ 0 ↓

## Most common areas of non-compliance

	EC	FS	GP	KZN	LP	MP	NC	NDOH	NW
Procurement and contract management	X	X	X	X	X	X	X	X	X
Quality of financial statements	X	X		X	X	X	X	X	X
Prevention of irregular, unauthorised, and fruitless and wasteful expenditure	X	X	X	X	X	X	X	X	X
Effecting consequences	X	X	X	X	X	X	X	X	X

X Previous year's finding addressed    X New finding identified in 2021-22    X Repeat finding





## Status of compliance with legislation on procurement and contract management



2021-22

20% (2)

90% (9)

80% (8)

● With no findings  
 ● With findings  
 ● With material findings

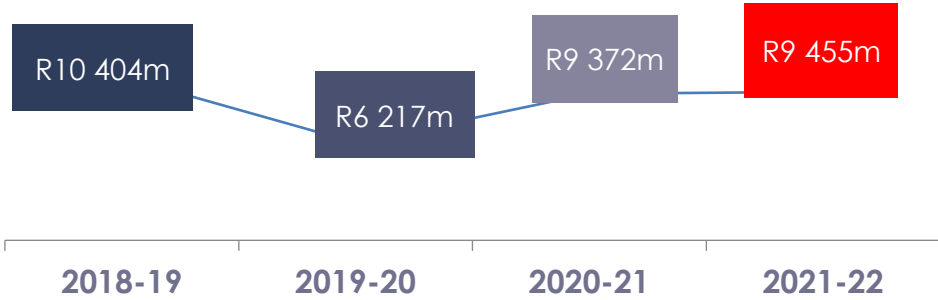
Details of procurement findings	EC	FS	GP	KZN	LP	MP	NC	NDOH	NW
Uncompetitive and unfair procurement processes	X	X	X	X	X	X	X	X	X
Prohibited awards to employees	X	X	X	X	N	X	X	X	X
Prohibited awards to other state officials	N	N	N	N	N	N	N	N	N
Limitations on audit of awards selected for testing	N	N	N	X	X	X	N	N	N

N No finding

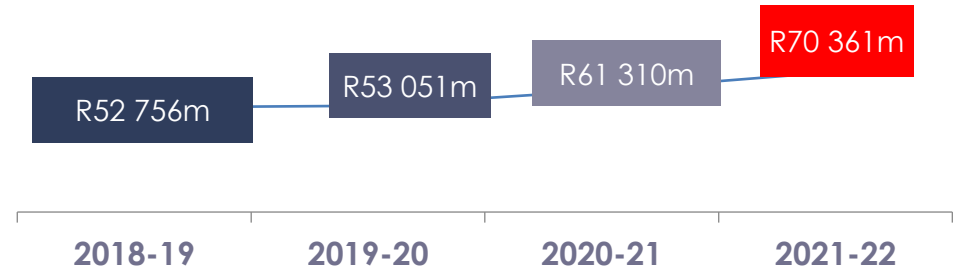
X Finding identified



Annual irregular expenditure



Closing balance of irregular expenditure continues to increase



Nature – current year

**Procurement without competitive bidding or quotation process:** R3 559 million (NDoH, GP, FS, KZN, MP, NC, NW, WC)

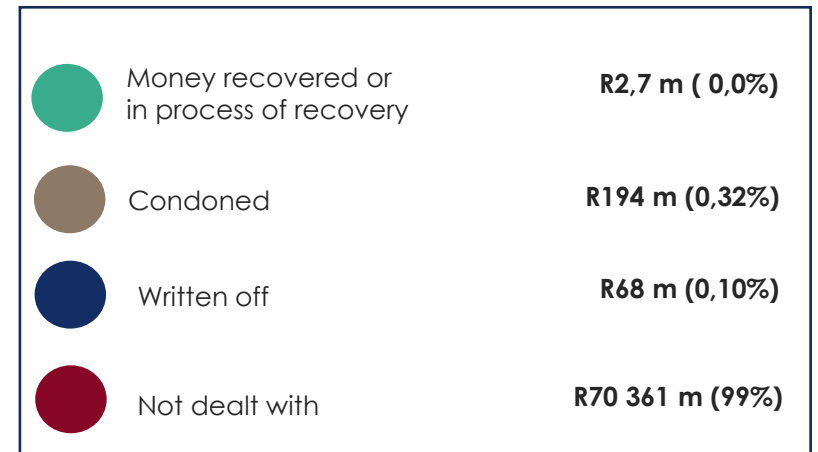
**Non-compliance with procurement process requirements:** R4 345 million (NDoH, EC, GP, FS, KZN, LP, MP, NC, NW, WC)

**Non-compliance with legislation on contracts:** R1 550 million (NDoH, FS, KZN, NC)

Top contributors-current year

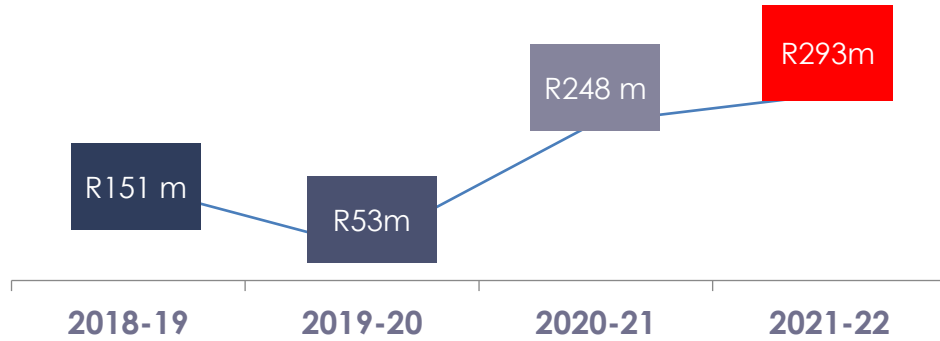


How have auditees dealt with irregular expenditure?

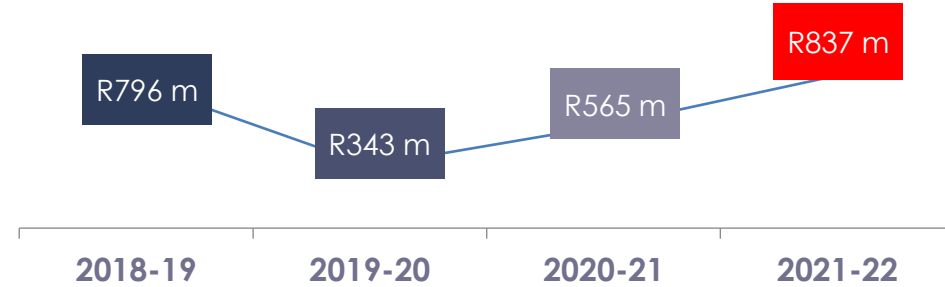


# Fruitless and Wasteful expenditure

Annual fruitless and wasteful expenditure



Closing balance of fruitless and wasteful expenditure continues to increase



## Nature – current year

**Interest and penalties:** R135 m (EC, GP, FS, LP, MP, NC, NW)

**PPE related -** R16m (GP, WC)

**Project payments made in vain -** R137m (FS)

**Expired stock -** R3m (KZN)

**Overpayment of supplier -** R2m (MP)

## Top contributors-current year



## How have auditees dealt with fruitless and wasteful expenditure?



## Overall root causes of significant findings

- Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting
- Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information
- Implement controls over daily and monthly processing and reconciling transactions
- Review and monitor compliance with applicable legislation

## Key recommendations to, and commitments by, accounting officers and authorities

- Appropriate oversight controls must be implemented for proper record keeping of information supporting the financial statements
- Strengthen controls relating review of financial and performance reports to ensure they comply with relevant reporting frameworks and evidenced by reliable supporting documents
- Strengthen controls relating to diligently maintain reconciliations required to support reported financial and performance information
- Perform and finalise investigations to enable consequence management
- Strengthening the supply chain management processes to ensure all procurement is performed in line with relevant prescripts

## Commitments by executive authority

- Ensure that the action plans are compiled and monitor implementation of action plans relating to the:
- Investigations into irregular and fruitless and wasteful expenditure incidents and consequence management implemented thereof
  - Improving the internal controls relating to financial and performance management and governance
  - Monitoring of compliance with relevant laws and regulations
  - Regular engagements with the executive authority, supported by the accounting officer. Commitments received from the minister on 06 October 2022.



## In 2020-21, we recommended the following:

- Implement action plans to capacitate the finance directorate, which also deals with procurement (NDoH)
- Improve controls relating for contract management to ensure approvals are sought for variations where services are still required (NDoH; NHLS; SAHPRA)
- Address misstatement relating to the prior period to ensure these misstatements do not continue to impact the current year balances (SAHPRA)
- Strengthening the supply chain management processes to ensure all procurement is performed in line with relevant prescripts (NHLS; CMS)



## Overall reflections on implementation of recommendations:

- Most of the auditees did not adequately implement some of the recommendations, resulting in lack of progress to clean audit outcomes.
- SAHPRA: Efforts and measures implemented to address and clear the prior qualification area resulted in improved audit outcomes. These financial management disciplines should be maintained to ensure that the improvement in outcomes is sustainable.

## Key messages going forward: Effective Implementation of action plans

1

The committee must request regular feedback on the progress of the implementation of effective action plans to improve the internal control environment.

2

The committee must request management to prioritise Investigations into irregular and fruitless and wasteful expenditure incidents, and report back in sufficient detail on the consequence management processes implemented.

3

The committee must also closely monitor the areas that are contributing the funds be depleted from the sector that could have otherwise been used to procure much needed equipment, expand and maintain infrastructure, increase capacity and skills in the sector. These include the areas of medico-legal claim, fruitless and wasteful expenditure and better management of goods and services processes so that accruals are reduced.

4

The committee must invest in engaging the National Health Council (NHC), the sector executives, on how it will turn around the key service delivery matters for the sector, to ensure that it meets its key delivery targets (NHI, Vision 2030).

5

The oversight committees in the sector must request the sector leadership to provide plans the measures the leadership will implement to not only improve the systems of internal controls relating to financial and performance management disciplines. This must be supported by proper governance processes.



# THANK YOU



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