

The Budgetary Review and Recommendations Report (BRRR) of the Portfolio Committee on Health, dated 19 October 2022

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The Budgetary Review and Recommendations Report (BRRR) of the Portfolio Committee on Health, dated 19 October 2022

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

1. INTRODUCTION

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

- Medium-term estimates of expenditure;
- Sector strategic priorities and measurable objectives;
- Prevailing strategic plans 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 presentations received from the Department and Entities focusing on the 2021/22 Annual Reports and financial statements. The report details the deliberations, observations and recommendations made by the Committee relating to the Department and its Entities' financial and non-financial performance for the 2021/22 financial year.

1.2. Process

In assessing the performance of the Department of Health and Entities for the financial year 2021/22, the Committee reviewed and analysed the following reports and/or documents:

- 2022 Estimates of National Expenditure;
- Strategic Plan of the Department of Health (2020/21 – 2024/25);
- Annual Performance Plan of the Department of Health (2021/22);
- Annual Report of the Department of Health (2021/22);
- Annual Report of the National Health Laboratory Services (2021/22);
- Annual Report of the Office of Health Standards Compliance (2021/22);
- Annual Report of the South African Medical Research Council (2021/22);
- Annual Report of the Office of the Health Ombud (2021/22);
- Annual Progress Report of the Compensation Commissioner for Occupational Diseases (2020/21);
- Annual Report of the Council for Medical Schemes (2021/22);
- Annual Report of the South African Health Products Regulatory Authority (2021/22);
- Report of the Financial and Fiscal Commission (2021/22); and
- Report of the Auditor General South Africa (2021/22)

On 11 October 2022, the Portfolio Committee on Health was briefed by the Financial and Fiscal Commission on its analysis of the annual reports of the health sector and the Auditor-General of South Africa (AGSA) on the audit outcomes of the sector.

On 11 to 14 October 2022, the Portfolio Committee on Health engaged the Department and Entities on their 2021/22 Annual Reports and financial statements.

2. STRATEGIC OVERVIEW

2.1. Policy Priorities for 2021/22

The Department of Health's Strategic Plan (2020/21 – 2024/25) responds to the strategic priorities of government and other relevant policies such as the National Development Plan (NDP) Goals and Priorities (Vision-2030), Sustainable Development Goals 2030, the 2021 State of the Nation Address (SONA) and the Medium-Term Strategic Framework (2019-2024).

2.1.1. Department's Five Year Strategic Goals

The Department's five-year strategic goals are as follows:

Strategic Goal 1: Increase life expectancy, improve health and prevent disease – Improve health outcomes by responding to the quadruple burden of disease in South Africa; and address the social determinants of health through inter-sectoral collaboration.

Strategic Goal 2: Achieve universal health coverage by implementing NHI Policy – Progressively achieve universal health coverage through NHI.

Strategic 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 reorientate the system towards PHC through community based health programmes to promote health; improve equity training and enhance management of Human Resources for Health (HRH); improve the availability of medical products and equipment; and ensure robust and effective health information systems to automate business processes and improve evidence based decision making.

Strategic Goal 4: Build health infrastructure for effective service delivery – Execute the infrastructure plan to ensure adequate, appropriately distributed and well maintained health facilities.

2.1.2. The National Development Plan (Vision – 2030)

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

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

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

2.1.3. State of the Nation Address (SONA) – 2021

During the February 2021 SONA, the President highlighted the following main health-related issues:

- Defeating the coronavirus pandemic and the rollout of the vaccination programme was the key issue in this year's SONA. The President highlighted the comprehensive response to overcome the coronavirus. By restricting movement and activity via the lockdown, preparing health facilities, and implementing basic health protocols, government prevented potentially greater devastation by the pandemic.
- The President also highlighted the need to intensify prevention efforts and strengthening the health system. A massive vaccination programme will be rolled out with millions of vaccines having been procured and being delivered. The President applauded the scientists who lead research that discovered the Astra Zeneca vaccine which was procured was ineffective against a new variant (known as 501Y.V2) that is dominant in South Africa.
- Emphasising that a science-driven approach will continue to be used, the President emphasised the important role SAHPRA plays in relation to all medication imported into the country.
- The President further emphasised the importance of collaboration between all sectors of society including business, labour, the health industry and medical schemes in implementing the mass vaccination drive.
- Implementation of the National Anti-Corruption Strategy. The Special Investigating Unit (SIU) was authorised to investigate COVID-19 related procurement by all state bodies. The SIU released a

report in February detailing alleged personal protection equipment (PPE) corruption. Over R13.3 billion worth of tenders were investigated, in respect of 189 State institutions and entities, with allegation still being received.

- Roll out broadband to hospitals and other government facilities. This will be important to modernise particularly administration and filing systems and in preparation for the National Health Insurance which will require all users/patients to be registered on the Health Patient Registration System (HPRS).

2.1.4. Department's Planned Policy Initiatives (2021/22)

The key policy priorities of the Department for 2021/22 included the following:

- **COVID-19 response plan:** The Department's COVID-19 response plan aims to halt the spread of the virus in South Africa. A major focus of the plan is on vaccination rollout. The Department aims to vaccinate at least 40 million people by the end of the 2021/22 financial year.
- **Facilitate the implementation of the National Health Insurance (NHI) service.** The introduction of universal health coverage, also known as NHI, is a key priority for the Department. The first phase of a 5-year preparatory work plan to improve health systems performance and improve service delivery has been implemented. The Department is aiming to implement NHI by 2026. This will be guided by the Presidential Health Compact, a collaborative effort of multiple stakeholders who came together to contribute to improving the health sector.
- **Increased Life Expectancy.** The Department aims to increase life expectancy to at least 66.6 years and to 70 years by 2030.

3. REPORT OF THE FINANCIAL AND FISCAL COMMISSION

The FFC highlighted that the Covid-19 vaccine rollout is vital in containing the spread of the virus and limiting the severity of infections. It was indicated that the 2022 budget allocated an additional R2.3 billion to buy more doses and to administer vaccines. The FFC highlighted that the provinces will receive an additional funding of R15.6 billion over the MTEF period to support the fight against Covid-19 and to address shortfalls in essential goods and services.

The FFC noted that over the next three years, R440.5 million will be shifted from the health's main budget to move the forensic chemistry laboratories function to the National Health Laboratory Services (NHLS) to improve processing times for laboratory services.

On the department's performance, the FFC noted that the number of health facilities implementing the national quality improvement programme per year, indicates that 16 quality learning centres were identified to cover 80 hospitals and 64 primary health facilities. The FFC further notes that the number of ideal clinics per year is declining from 1906 in 2019/20 to 1444 in 2020/21.

On changes to provincial allocations, the FFC indicated that over the MTEF period, R15.6 billion is added for provincial departments of health to continue to respond to Covid-19 and to reduce the impact of budget reductions on essential medical goods and services. To address a funding shortfall for medical internship and community services posts over the MTEF, R745 million has been prioritised to the human resources and training grant.

4. REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA

4.1. Department and entities

The National Department of Health received a qualified audit opinion with findings in the current year. The qualification on accrued departmental revenue relates to the recoupment and re-imbursement of Covid-19 vaccine related costs.

The Council for Medical Schemes, National Health Laboratory Services and South African Health Products Regulatory Authority received unqualified audit with findings. The South African Medical Research Council, Compensation for Occupational Diseases and Office of Health Standards Compliance received an unqualified audit with no findings. Overall, the audit outcomes of the portfolio improved mainly due to the Compensation for Occupational Diseases achieving a clean audit outcome.

The AG reported that during the period under review, the Department and Entities incurred irregular expenditure amounting to R1.3 billion. Irregular expenditure increased by 42% compared to the prior year.

4.2. Provincial Departments

The provinces remained stagnant as they received the same audit outcomes as in the previous financial years. There was no improvement to the audit outcomes for Eastern Cape, Free State, Northern Cape and KwaZulu-Natal, as they remain qualified for four consecutive years. The AG commends the Western Cape for maintaining clean audit outcomes consistently over the years. The AG noted that the Eastern Cape, Northern Cape and KwaZulu-Natal are the most concerning provinces.

On medico-legal claims, the AG reported that as at 31 March 2022, there were 15 148 claims that have been lodged against the sector, values at R125.3 billion. During the 2021/22 financial year, the departments paid R855.6 million towards medico-legal claims.

5. PERFORMANCE OF THE DEPARTMENT OF HEALTH (2021/22)

This section provides an overview of the financial and non-financial (service delivery) performance of the Department for the 2021/22 financial year.

5.1. Financial Performance

For 2021/22, the Department received a budget of R65.9 billion, of which it spent R65.2 billion. This constitutes expenditure of 98.8%, down from 99.1% expenditure rate in the previous financial year. The Department underspent its allocated budget by more than three quarters of a billion rand R771.3 million (or 1.2%) of the final appropriation. The underspending of R771.3 million increased from R578.8 million in the previous financial year. It should be noted that under-expenditure in the Department has increased steadily from R101.2 million (or 0.3%) in 2016/17, R220.9 million (or 0.5%) in 2017/18 and nearly R1 billion (R913.8 million or 1.9%) in 2018/19 and R422.4 million in 2019/20. This again represents a negative trend of increased under-expenditure and the Parliament should examine this closely with the Department.

Table 1: Programme Expenditure 2021/22

Programme R'000	2021/22			2020/21		
	Final Appropriation	Actual Expenditure	Over/under expenditure	Final appropriation	Actual expenditure	Over/under expenditure
1 Administration	828 730	672 727	156 003	663 552	550 965	112 587
2 National Health Insurance	1 025 966	838 153	187 813	1 200 556	1 021 911	178 645
3 Communicable & Non-Communicable Diseases	35 741 509	35 595 481	146 028	28 624 113	28 348 440	275 673
4 Primary Health Care	255 705*	251 526	4 179	277 085	314 971	-37 886
5 Hospital	21 114 133	21 011 761	102 372	21 219 600	21 188 507	31 093

	Systems						
6	Health System Governance and Human Resources	6 442 722	6 360 530	82 192	6 680 006	6 661 283	18 723
	Direct charge against the National Revenue Fund	500 000	407 253	92 747			
	TOTAL	65 908 765	65 137 431	771 334	58 664 912	58 086 077	578 835

The largest amount of under-expenditure representing nearly a quarter (24.3%) of the Department's total under-expenditure was *Programme 2: National Health Insurance* as it underspent by R187.8 million (previous financial year R178.6 million or 14.9%) of the programme's budget.

Programme 1: Administration underspent by R156.0 million, which is 18.8% of the programme's available budget, and 20.2% of the total under-expenditure.

Programme 3: Communicable and Non-Communicable Disease, which underspent by R146.1 million (or 0.4%) of the programme budget. This is down from the R275.7 million (or 1%) of the programme budget in the previous financial year.

In terms of economic classification, expenditure on Compensation of Employees (COE) amounted to R848.2 million (or 95.1%) (reported as 94.8% in the Annual Report) of the COE budget allocation of R892.6 million. With regard to COE, the Department notes that there were reprioritisation of filling of posts resulting in delays in filling vacant posts. An additional R38 million was received during the Adjustment Estimates Budget for anticipated salary increases, contributing to underspending on COE.

Goods and Services expenditure amounted to R9.1 billion (or 95.6%) of the budget allocation of R9.5 billion. Reasons for under-expenditure include.

- Outstanding invoices from the Department of Public Works could not be processed by 31 March 2022 due to insufficient supporting documents.
- Procurement process for the Security System of the Department is underway.
- Underspending on Medicine Stock Surveillance and Health Patient Registration Systems (HPRS) emanated from the revision of the HPRS business plan to consider COVID-19 Information Technology (IT) activities.
- The Ideal Clinics Peer reviews were cancelled due to COVID-19 pandemic.
- Procurement in Forensic Chemistry Laboratories (FCL) was stopped on 31 August 2021 due to FCLs function shift from NDoH to National Health Laboratory Services as of 01 April 2022 (it is not immediately clear if the dates provided are correct).

Transfer payments: Expenditure of R54.492 billion (or 100%) was incurred from the budget of R54.494 billion.

Purchase of Capital Assets: An amount of R660.5 million (or 68.4%) (reported as 69.5% in the Annual Report) was spent on capital payments from the budget of R965.8 million. The underspending is attributed to the slow start of infrastructure projects due to COVID-19 pandemic.

Direct charges against the National Revenue Fund (NRF): An amount totalling R500 million was funded directly from the NRF for COVID-19 Vaccines programme.

Virements: Approval was obtained from National Treasury to vire R13.1 million after the Adjustments Budget, from Goods and Services to Transfers and Subsidies. No funds were rolled-over.

No **unauthorised expenditure** was incurred during the period under review. R49.7 million was noted as unauthorised expenditure in the previous financial year, with R30.6 million noted as recoverable. There is thus a balance of R19.2 million recorded as unauthorised expenditure awaiting authorisation. The unauthorised expenditure is recorded as having been identified by National Treasury after the audit was finalised in the 2020/21 financial year. However, this amount was noted in the Annual Report of the respective financial year. No further detail was provided except to indicate that R37.9 million was Primary Health Care and R11.8 million was for Health Systems Governance. In both reports, i.e. the current and previous financial years' Annual Reports, no indication is given of any disciplinary steps being taken nor criminal proceedings being instituted. The AGSA also was unable to find audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as well as fruitless and wasteful expenditure, as required by the PFMA, since investigations were not performed.

Cumulative fruitless and wasteful expenditure amounts to R1.5 million, down from R2.1 million in 2020/21, as R565 000 was written off. No fruitless and wasteful expenditure was incurred in 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 the 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 for 2021/22 totalled R16.6 million, related to, amongst other things:

- R11.3 million – Commitments: Payment exceeded authorised order amount.
- R4.0 million- payment made for ICSP without service level agreement (SLA).
- R500 000- Comaf (Communication of Audit Findings) 41 – Evidence that quotations were obtained from suppliers that are registered on the central supplier database (CSD) was not obtained.

5.2. Non-Financial (Service Delivery) Performance

The Department's performance appears to have improved slightly compared to the previous years. During the financial year under review, the Department achieved 23 out of 37 targets (or 62.2%) compared to the 2020/21 when the Department achieved 21 out of 43 targets (or 48.9%), and 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 set targets in the Annual Performance Plan 2021/22.

Table 2: Programme Performance Overview

Programme	2021/22					2020/21	
	Number of targets	Achieved	Not fully achieved	Targets Achieved	Budget Spent % 2021/22	Targets Achieved 2020/21	Budget Spent % 2020/21
1. Administration	4	2	2	50.0%	81.2%	33.3%	83.1%
2. National Health Insurance	5	2	3	40.0%	81.7%	66.7%	85.1%
3. Communicable & Non-Communicable Diseases	9	6	3	66.7%	99.6%	33.3%	99.1%
4. Primary Health Care	9	6	3	66.7%	98.4%	50%	113.7%
5. Hospital Systems	3	3	0	100%	99.5%	100%	99.9%

6. Health System Governance and Human Resources	7	4	3	57.1%	98.7%	33.3%	100.2%
Total	37	23	14	62.2%	98.8%	48.9%	99.1%

The slight improvement in the Department's performance should be viewed in the context of it having again spent almost 100% (98.8%) of its allocated budget (in the previous three financial years it spent 99.1% (2020/21), 99.2% (2019/20), and 98.1% (2018/19)). With this in mind, questions must be raised on the value for money that the Department's services offer, as well as, whether proper costing is being done for its functions. The low rate of targets achieved must be seen in the context of relatively high spending. These will be discussed in more detail below.

5.2.1. Performance per programme

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

5.2.1.1. Programme 1: Administration

The programme achieved only two (or 50%) of the four planned targets for 2021/22. It should be noted that the number of targets set in the APP for this programme had fluctuated from eleven (11) in 2015/16, three (3) in 2019/20 and six (6) in 2020/21.

Table 3: Programme 1

	2021/22	2020/21
Total targets set	4	6
Targets achieved	2	2
Targets not fully achieved	2	4
Success rate	50.0%	33.3%
Total budget	R828.7 million	R663.6 million
Total budget spent	R672.7 million (81.2%)	R551.0 million (83.1%)

The notable targets under the programme during the period under review include the following:

- Two targets relate to medico-legal claims- neither the Case Management System nor the policy and legal framework to manage medico-legal claims were fully achieved. The AG noted that this may be a potential area of fruitless and wasteful expenditure, as money was spent on developing and rolling out a Case Management System, but this is not being utilised fully by the provinces except one. It further noted that this should be a priority for the Portfolio Committee on Health to monitor going forward.
- The Department met its target of achieving an unqualified audit opinion for 2020/21. However, it should be noted that in 2018/19 its target was to achieve a clean audit. The AG noted that controls relating to financial management and reporting need to be strengthened to ensure an improved outcome. It is of concern that the Department received a qualified audit opinion for the financial year under review.
- The Eastern Cape, Free State, Northern Cape, Limpopo and KwaZulu-Natal Provincial Departments of Health received qualified audit opinions with findings.

This programme was allocated R828.7 million and spent R672.7 million (or 81.2%) slightly down from 83.1% expenditure rate in the previous year. Under-expenditure totalled R156.1 million.

5.2.1.2. Programme 2: National Health Insurance (NHI)

The number of targets under the programme has been reduced from 27 in 2017/18 and 12 in 2018/19 and 2019/20. In the year under review, there are only five targets. Out of the five planned targets, the NDOH achieved only two (or 40%), down from 66.7% in the previous financial year. The NHI legislation is in the legislative processes of Parliament. Notably, medical aid beneficiaries are not registered on the Health Patient Registration System. More than 5 million patients are enrolled for receiving medicines through the CCMDD (centralised chronic medication dispensary and distribution) system (target: 4.5 million).

Table 4: Programme 2

	2021/22	2020/21
Total targets set	5	6
Targets achieved	2	4
Targets not fully achieved	3	2
Success rate	40.0%	66.7%
Total budget	R1.026 billion	R1.201 billion
Total budget spent	R838.1 million (81.7%)	R1.022 billion (85.1%)

The Department exceeded the target set (target: 3 830) for the number of health facilities reporting stock availability at the National Surveillance Centre with 3 873 facilities reporting.

The Department again exceeded the number of patients registered for receiving medicines via the Centralised Chronic Medicine Dispensing and Distribution (CCMDD) System, with 5.1 million patients registered against a target of 4.5 million. According to the Department, more patients were enrolled on CCMDD due to COVID-19 impact on limiting resources at facilities.

Spending continues to decline in the programme compared to previous financial years 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 R1.1 billion in 2021/22, and only R838.1 million or 81.7% was spent. This represents an under-expenditure of R187.8 million. Only two (2) of the five targets (40%) were reached.

5.2.1.3. Programme 3: Communicable & Non-Communicable Diseases

Programme 3 consists of sub-programmes that relate directly to SDG 3 and critical indicators for health in the country. The Department fully achieved only six out of nine targets or 66.7%. This is an increase from its achievement of only 2 out of 6 targets or 33.3% in the previous financial year. The number of targets in this programme has been reduced significantly over the past few financial years, from 57 in 2015/16, 16 in 2019/20, and only five in 2021/22.

Table 5: Programme 3

	2021/22	2020/21
Total targets set	9	6
Targets achieved	6	2
Targets not fully achieved	3	4
Success rate	66.7%	33.3%
Total budget	R35.7 billion	R28.2 billion
Total budget spent	R35.6 billion (99.6%)	R27.9 billion (99.1%)

The Department vaccinated nearly 21 million people (target 40 million) against COVID-19. It is clear the decision to incorporate the vaccination drive as part of the existing services provided at clinics and

healthcare facilities is not reaping the desired results. There is a great risk of unused vaccinations, which were bought at great cost, being destroyed if not donated or utilised swiftly. This will only occur if a concerted campaign is launched to, amongst other things, get more people vaccinated, making vaccinations more easily accessible, and countering anti-vaccination messages.

The Department reports that the National Multi-Sectoral Strategic Plan for control of Tobacco Products and Electronic Delivery Systems 2022-2027 has been developed. It would be important for the Committee to receive a briefing on this Strategic Plan.

The Department reported that 510 (target: 500) medical officers and professional nurses were trained in clinical management of mental disorders. Also, 290 (target: 75) State patients were admitted into psychiatric hospitals.

The Department did not achieve the targets related the National Strategic Plan (NSP) for Non-Communicable Diseases (NCDs) as the NSP was approved by the National Health Council (NHC) a week before the end of the financial year and could thus not be published in time.

New guidelines for maternal care as well as neonatal care have been approved.

This programme was allocated R35.7 billion (up from R28.2 billion) and spent R35.6 billion, which is a 99.6% expenditure rate. Under-expenditure amounted to R146.1 million.

5.2.1.4. Programme 4: Primary Health Care

This Programme consists District Health Services, Emergency Services and Trauma, and Environmental and Port Health services. However, it is important to note that this Programme's budget allocation is even smaller than Programme 1: Administration.

Table 6: Programme 4

	2021/22	2020/21
Total targets set	9	12
Targets achieved	6	6
Targets not fully achieved	3	6
Success rate	66.7%	50.0%
Total budget	R255.7 million	R277.1 million
Total budget spent	R251.5 million (or 98.4%)	R315 million (or 113.7%)

With regard to the Ideal Clinic programme 1 928 PHC facilities (target: 2100) attained Ideal Clinic status. The failure to reach the target was attributed to COVID-19 and the resultant shifting of resources. The Department again reports delays in the finalisation of the Policy on Traditional Medicines. All nine provinces were assessed for compliance with the Emergency Medical Services (EMS) Regulations. Whilst they were assessed, it is not clear if all provinces complied with the Regulations. Community Health Workers (CHWs) traced 509 626 (target: 250 000) clients lost to follow up for TB treatment.

The budget allocation for this Programme declined from R277.1 million in 2020/21, to R255.7 million in 2021/22. In terms of performance, six out of nine targets (or 66.7%) were fully achieved.

5.2.1.5. Programme 5: Hospital Systems

This Programme develops national policy on hospital services and responsibilities by level of care; referral guidelines; developing hospital plans; and facilitating improvement plans for hospitals. The Programme is also responsible for the management of the National Tertiary Services Grant and ensures that the planning of health infrastructure meets the needs of the country.

The two budget sub-programmes in this programme are, Health Facilities Infrastructure Management; and Hospital Management.

Table 7: Programme 5

	2021/22	2020/21
Total targets set	3	4
Targets achieved	3	4
Targets not fully achieved	0	0
Success rate	100%	100%
Total budget	R21.114 billion	R21.220 billion
Total budget spent	R21billion (or 99.5%)	R21.2 billion (or 99.9%)

All three targets (100%) were achieved, similar to the previous financial year when all four targets were achieved. Targets achieved include:

- 52 PHC facilities constructed or revitalised (target: 40);
- 21 Hospitals constructed or revitalised (target: 21); and
- 121 Public Health Facilities (Clinics, Hospitals, Nursing Colleges, EMS base stations) maintained, repaired and/or refurbished (target: 120).

5.2.1.6. Programme 6: Health 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 exercises oversight over all health public entities and statutory Health Professional Councils in South Africa. It also provides forensic laboratory services.

Table 8: Programme 6

	2021/22	2020/21
Total targets set	7	9
Targets achieved	4	3
Targets not fully achieved	3	6
Success rate	57.1%	33.3%
Total Budget	R6.4 billion	R6.5 billion
Total budget spent	R6.4 billion (98.7%)	R6.5billion (100.2%)

The number of targets has decreased from nine in 2020/21 to seven in the year under review. Only four of the seven targets (57.1%) were achieved.

Those targets achieved include:

- 9 Public Nursing Colleges were supported to achieve accreditation for basic and specialist nursing and midwifery programmes;
- 100% (8 346) eligible students were allocated to a health facility for community service;
- 3 674 COVID-19 vaccination sites registered on EVDS; and
- Revised Health Research priorities produced.

Targets not achieved include:

- 8 Provinces supported to develop implementation plans for strengthening clinical governance
- Community service policy not published.
- Alpha version of networked TB/HIV Plus Information System not developed pending an internal review of information systems processes.

This Programme has spent 98.7 % of its appropriated funds, amounting to R6.4 billion.

5.2.2. Human Resources

The Department reports that it had a total of 1 337 permanent posts filled, out of 1 696 approved posts which represents a vacancy rate of 16.9%. In the Senior Management Services (SMS), the highest vacancy rates were experienced at level 14 (29.0%, n= 9), level 15 (27.3%, n=3) and level 13 (23.5%, n= 20).

5.2.3. Report of the Auditor-General on the Department

The Department's audit outcomes deteriorated as it received a **Qualified Audit Opinion**, with emphasis of matter. This means that the financial statements, except for the matters described in the basis for the qualified opinion, present fairly its financial position. This is a regression in performance as the Department has, for the previous ten consecutive years obtained an unqualified audit opinion from the AG.

The basis for the qualified opinion is that the AG could not obtain sufficient evidence for accrued departmental revenue. The Department's system of internal control relating to the recoupment process of COVID-19 vaccine programme was inadequate. The AG could therefore not ascertain whether any adjustment was needed to accrued revenue of R2.1 billion. This had a consequential impact on the departmental revenue and contingent assets.

The AG found that the financial statements submitted for audit had not been prepared in accordance with the prescribed financial reporting framework and supported by full and proper records. Material misstatements were identified by the auditors were subsequently corrected. However, the uncorrected material misstatements resulted in the financial statements receiving a qualified opinion. The AG also reported that corresponding figures for 31 March 2021 were restated due to an error in the financial statements for the year ended 31 March 2022.

Effective and appropriate steps had again not been taken to prevent irregular expenditure as required by the PFMA and the Treasury Regulations.

With regard to consequence management, the AG was unable to find sufficient appropriate audit evidence that disciplinary action was taken against officials who had incurred irregular expenditure, as investigations into irregular expenditure and fruitless and wasteful expenditure were not performed. Citing internal control deficiencies, the AG noted the investigations into the irregular expenditure regarding the multimillion Rand communication contract (commonly known as the Digital Vibes scandal).

5.2.4. Technical Issues

An error was found in the Annual Report, in Table 2.2 (p.19) Primary Health Care Final appropriation is reported as R255 112 (000) when it should be R255 705 (000) as reported on page 49. Further, in the narrative on page 19, reference is made to the Department having "spent R64,092 billion of its allocation from the budget of R64,771 billion, representing 99,0% spending rate." Which differs to the information provided in Table 2.2. Programme Expenditure.

6. PERFORMANCE OF ENTITIES (2021/22)

This section provides an overview of the financial performance of Entities for the 2021/22 financial year.

6.1. National Health Laboratory Services (NHLS)

NHLS is a Schedule 3A Public Entity established by the National Health Laboratory Service Act (No. 37 of 2000) (*hereafter*, the Act). In line with the Act, NHLS is governed by a Board and the Chief Executive Officer (CEO). By the end of the reporting period, the entity had about 268 public laboratories across the

nine provinces. As a Schedule 3A Public Entity, the NHLS is required to provide quality, affordable and sustainable health laboratory and related public health services to all public healthcare providers, other government institutions and any private healthcare provider in need of service. It is also mandated to provide training for health science education in conjunction with medical faculties at universities and universities of technology.

6.1.1. Highlights Over the Reporting Period 2021/22

Between April 2021 and March 2022, the entity reported the following:

- Increased its revenue from R10.5 billion to R12.2 billion.
- Generated a surplus of R76.4 million for the financial year.
- Achieved 88% of its set targets, compared to 86% in the previous financial year.
- Conducted 30 webinars with over 11 225 participants trained on COVID-19-related topics.
- Published 688 articles in peer-reviewed journals compared to 673 during 2020/21 period.
- Revenue for COVID-19 testing amounted to R2.4 billion for over 5 million tests conducted.
- Increased assets from a restated R7.4 billion in the prior year to R7.8 billion by March 2022.
- 18 new laboratories accredited by the South African National Accreditation System (SANAS) as compared to 15 in the previous financial year.

6.1.2. Performance for the Period 2021/22

Below is a closer look on the entity's performance per programme. The reported performance is assessed against the stated performance target on its annual performance plan (APP) for the reporting period.

6.1.2.1. Programme 1: Laboratory Service

Programme 1 represents the core business of the entity, as mandated by the Act to provide cost-effective and efficient health laboratory services to all public sector health care providers and other government institutions in and beyond the borders of South Africa. The long-term objective of this programme is to ensure that its services are provided in an equitable, comprehensive, quality, timeous and cost-effective pathology manner resulting in improved patient care. Table 9 provides performance information against the planned targets and compares with 2021/22.

Table 9: Performance on Planned Targets – Programme 1

	2021/2	2020/21
Targets reported in APP 2021/22	23	24
Targets reported in Annual Report 2021/22	12	12
Targets fully achieved	8	10
Targets not achieved	4	2
Performance success rate	66.6%	83.3%
Expenditure	R909.4 million	R7.1 billion

Programme 1 shows only 12 total targets against 23 in its APP. Two of the performance targets were achieved in 2020/21 however carried forward to the 2021/22 APP. Load-shedding and water shortage were cited as key factors for failing to meet some of the targets especially in the Eastern Cape. On page 37, the entity reports that this programme budgeted R8.5 billion and spent R909.4 million. It further claims that it overspent with R477 million due to the higher volume of tests performed compared to what was budgeted for. In contrast to the annual report, its APP states an amount of R8.9 billion as having been budgeted for this programme.

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

Programme 2 has three sub-programmes i.e. Quality Assurance, Academic Affairs and Research and Innovation. Its purpose is to strengthen the mandate of the NHLS of maintaining and providing quality assured and accredited laboratory medicine and the academic platform. It does this among other things, by ensuring that research is conducted to contribute to service delivery improvement and quality, as well as ensuring national coverage by NHLS pathologists. This programme also oversees and collaborates with various training institutions that contribute to the development of qualified and skilled people operating within the scientific field of pathology services. Table 10 discusses performance information of planned targets for this programme:

Table 10: performance of planned targets – Programme 2

	2021/22	2020/21
Targets reported in APP 2021/22	22	22
Targets reported in Annual Report 2021/22	11	11
Targets achieved	11	8
Targets not achieved	0	3
Performance success rate	100%	72.2%

Programme 2 achieved 100% of its reported targets by end of March 2022. It is a jump from 72.2% achieved in the previous financial year. This programme saw a greater achievement on the number of district laboratories that are SANAS accredited compared to the previous reporting period, where there was a decline due to COVID-19. The overachievement is attributed to most laboratories having been assessed in previous financial year and recommended for accreditation in the year ending March 2022. The programme expenditure stood at R383.3 million resulting in an R321.5 million overspent according to its annual report. However, there is a disconnect between the budget of R343.1 million given in the APP (P 64) and the one given in the annual report R617.69.

6.1.2.3. Programme 3: Surveillance of Communicable Diseases

The National Institute for Communicable Diseases (NICD) is a national public health institute for South Africa and provides reference microbiology, virology, epidemiology, surveillance and public health research to support the government's response to communicable disease threats. Below is table 11, which shows performance information against the planned targets.

Table 11: Performance on Planned Targets – Programme 3

	2021/22	2020/21
Targets reported in APP 2021/22	14	14
Targets reported in Annual Report 2021/22	7	7
Targets achieved	7	7
Targets not achieved	0	0
Performance success rate	100%	100%
Expenditure	R420.2 million	R398.5 million

6.1.2.4. Programme 4: Occupational and Environmental Health and Safety

The National Institute for Occupational Health (NIOH) is a National Public Health Institute that provides occupational and environmental health and safety services across all sectors of the economy, in order to improve and promote workers' health and safety. The National and provincial government departments and public entities are important clients, including the Medical Bureau for Occupational Diseases (MBOD) of the National Department of Health (NDOH). The Institute achieves this by:

- Providing occupational medicine, hygiene, advisory, statutory pathology and laboratory services;
- Conducting research; and
- Providing teaching and training in occupational and environmental health and safety.

Table 12: Performance on Planned Targets – Programme 4

	2021/22	2020/21
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Targets reported in APP 2021/22	8	8
Targets reported in Annual Report 2021/22	4	4
Targets achieved	4	3
Targets not achieved	0	1
Performance success rate	100%	75.0%
Expenditure	R141.2 million	R135.8 million

The overall performance success rate for Programme 4 was 100.0% of the reported performance targets. For the reporting period, this programme overachieved the percentage of occupational and environmental health laboratory tests conducted within the predefined turnaround time. The overachievement is attributed to test volumes decreasing during the reporting financial year. The budget for this programme was R156.2 million, and the total expenditure amounted to R141.2 million. The entity had R14.9 million underspent due to successful implementation of cost-containment.

6.1.2.5. Programme 5: Administration

Programme 5 has four sub-programmes include i.e. Financial Management, Information and Communication Technology (ICT) as well as Human Resources Management. This programme plays a crucial role in the delivery of the NHLS services through the provision of a range of support services, such as organisational development, human resources and labour relations, information technology, property management, security services, legal, communication and the integrated planning function. NHLS depends highly on the effective management of financial resources and procurement process as administered within the financial department.

Table 13: Performance of Planned Targets – Programme 5

	2021/22	2020/21
Targets reported in APP 2021/22	34	33
Targets reported in the Annual Report 2021/22	17	17
Targets achieved	15	12
Targets not achieved	2	5
Performance success rate	88.2%	70.5%
Expenditure	R2.6 billion	R3.8 billion

Programme continues to face some challenges compared to the other 4 programmes. This programme overspent by R1.4 billion from its initial allocation of R1.1 billion. By the end of the reporting period, the total expenditure amounted to R2.6 billion. The reason for the over-expenditure is attributed to the consolidated debt impairment for the entire entity.

6.1.3. Financial Performance

The NHLS financial statements for 2021/22 provide full account of the income and as a *controlling entity*, including its subsidiary, the South African Vaccine Producers (SAVP). The consolidated statements are referred to as the *economic entity* in the Annual Report. During the reporting period, the NHLS total assets increased from a *restated* R7.4 billion in the prior year to R7.8 billion in the current year. For a comprehensive picture of the NHLS financial performance together with its subsidiary (SAVP), more focus will be given to statements for the economic entity.

Table 14: Statement of Financial Performance – Economic Entity (NHLS + SAVP)

	2021/22	2020/21
	R'000	R'000
REVENUE	12 237 665	10 537 490
Cost of Sales	(10 117 395)	(10 450 491)
Gross surplus	2 120 270	86 999
Other income	400 773	1 051 680
OPERATING EXPENSES	(2 639 024)	(1 232 840)

Operating Deficit/Surplus	(117 981)	(94 161)
Interest income	201 404	163 705
Fair value adjustments	1	15
Interest Expense	(8 546)	(3 697)
Surplus before taxation	74 878	65 862
Taxation	1 553	(480)
SURPLUS FOR THE YEAR	76 431	65 382

Following the restating of its financial statement, the NHLS grew its revenue from R10.5 billion in 2020/21 to R12.2 billion in 2021/22. The lion share of the revenue is derived from services rendered (R10.1 billion), followed by government grants & subsidies (R640 million). The rise of inflation and cost of sales have both contributed to a noticeable increase in the *operating expenses* from R1.2 billion in 2020/21 to R2.6 billion in 2021/22. Compared to the previous reporting period, its *operating deficit* was R94.16 million, while it increased to R117.9 million in 2021/22. The *interest income* received from debtors amounting to R201.4 million offset the operating deficit of R117.9 million leading to the entity having *R76.4 million surplus for the year* – up from R65.3 million in March 2021.

Table 15: Statement of Financial Position – Economic Entity (NHLS + SAVP)

	2021/22	2020/21
	R'000	R'000
Current Assets	6 300 786	5 920 326
Non-current Assets	1 484 191	1 458 745
Total Assets	7 784 977	7 379 071
Current Liabilities	2 224 858	1 995 881
Non-Current Liabilities	982 858	882 369
Total Liabilities	3 207 716	2 878 250
Net assets	4 577 261	4 500 821

By end of March 2022, the entity's net assets remained relatively similar to the previous year – i.e. at around R4.5 billion. Total assets increased from R7.3 billion to R7.7 billion. Equally, the total liabilities increased from R2.8 billion in the preceding financial year to R3.2 billion in 2021/22.

Current assets include, amongst others, its inventories (valued at R837.4 million), funds from exchange transactions (services rendered), receivables from non-exchange transactions amounting to R34.8 million and cash and cash equivalents to the value of R3.4 billion. Exchange transactions relate to debt owed to the entity, which includes outstanding monies that have been *impaired*, while some are disputed by the KwaZulu-Natal Department of Health, while other provinces remain in debt for services rendered and received. For example:

- A total amount of R664 million is outstanding from the Eastern Cape Department of Health. Of this an *amount of R303 million has been impaired*.
- Gauteng Department of Health owes the entity an *amount of R719 million, of which R307 million has been impaired*.
- KwaZulu-Natal Department of Health owes R2.792 billion and R2.575 billion has been impaired. In resolving the debt, an external audit was conducted, which concluded that of R1.8 billion is owed by KwaZulu-Natal Department of Health to the entity. However, the parties involved have neither agreed nor acknowledged the outcome of the audit. This issue has consistently been raised by the NHLS for some time.
- Northern Cape Department of Health has a balance of *R192 million due to the entity of which R98 million has been impaired*.
- A total amount of *R211 million* is outstanding from the North West Department of Health. Of this debt, *an amount of R61 million has been impaired*.

6.1.4. Report of Independent Auditors

During the reporting period (2021/22), the NHLS received an **Unqualified Audit Opinion** with findings from the auditing firm Nexia SAB&T.

The issues identified on the Audit report were the following:

- *Effective and appropriate steps were not taken* to prevent irregular expenditure, as required by section 51(1) (b)(ii) of the PFMA.
- *Management did not implement effective controls* to ensure accurate financial reporting nor did they exercise adequate oversight responsibility over compliance with applicable legislation.
- *An amount of R4.7 billion was stated as impaired* as a result of irrecoverable debt. P.163
- The entity incurred an *irregular expenditure of R1.2 billion* up from R778.6 million in 2020/21. P 163
- Some of the *quotations and contracts were awarded* to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state as per Treasury Regulation 16A8.3.
- Some of the *goods and services of a transaction value above R500 000* were procured without inviting competitive bids, as required by Treasury Regulation 16A6.
- *Some of the persons in service of the entity* who had a private or business interest in contracts awarded by the entity failed to disclose such interest, as required by Treasury Regulation 16A8.4.
- The financial statements submitted for *auditing were not fully prepared in accordance with the prescribed financial reporting framework* and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA.

6.2. Office of the Health Standards Compliance (OHSC)

The National Health Amendment Act (No. 12 of 2013) establishes OHSC as a Schedule 3A Public Entity in terms of the Public Finance Management Act (PFMA). Section 78 of the same Act provides for the OHSC to promote and protect the health and safety of the users of health services in South Africa. The OHSC is mandated to, amongst others:

- Advise the Minister on matters relating to norms and standards for the national health system and the review of such norms and standards, or any other matter referred to it by the Minister;
- Inspect and certify compliance by Health Establishments (HEs) with prescribed norms and standards, or where appropriate and necessary, withdraw such certification;
- Investigate complaints about the national health system;
- Monitor risk indicators as an early-warning system about serious breaches of norms and standards and report any breaches to the Minister without delay;
- Identify areas and make recommendations for intervention by a national or provincial department of health or municipal health department, where necessary, to ensure compliance with prescribed norms and standards;
- Recommend quality assurance and management systems for the national health system to the Minister for approval; and
- Keep records of all OHSC activities.

The OHSC carries out its work having due regard to the fundamental rights as contained in the Constitution and other related legislation. More importantly to the work of the OHSC are the Norms and Standards Regulations, which the Minister of Health promulgated on 02 February 2018. The regulations came into operation on 02 February 2019 and applies to different categories of health establishments.

6.2.1. Performance for the Period 2021/22

For a closer appreciation of OHSC's performance over the reporting period 2021/22, this subsection provides an analysis of each of the five programmes, namely: Administration; Compliance Inspectorate; Complaints Management and Office of Ombud; Health Standards Design, Analysis and Support; and Certification and Enforcement. The analysis takes into account the achievement of set targets, budget

allocation and expenditure and compares the previous financial year's performance with the current reporting period and highlights pertinent issues for consideration.

Overall, the OHSC had 22 output indicators for the 2021/22 financial year and achieved (14) 64% of its set targets in 2021/22 financial year.

6.2.1.1. Programme 1: Administration

The purpose of this programme is to provide the leadership and administrative support necessary for the OHSC to deliver on its mandate and comply with all relevant legislative requirements. This programme has four sub-programmes, namely; Human Resource Management, Finance and Supply Chain Management, Information and Communication Technology (ICT) as well as Communication and Stakeholder Relations.

Table 16: Performance on Planned Targets – Programme 1

	2021/22	2020/21
Total number of targets in APP 2021/22	7	14
Targets reported in Annual Report 2021/22	7	7
Targets fully achieved	6	3
Partially achieved	-	3
Targets not achieved	1	1
Performance success rate	85.7%	42.6%
Budget	R61.4 million	R60.7 million
Expenditure	R68.8 million	R64.5 million
Financial expenditure rate	112%	106.3%

Six of the seven targets for Programme 1 were fully achieved. The target relating to the turnaround time for the filling of funded vacancies was not achieved.

This programme had an approved allocation of R61.4 million, and overspent with an amount of R7.3 million, a 6% (R3.7 million) increase as compared to the previous financial year. Over-expenditure for 2021/21 is attributed to information technology maintenance and support as well as replacement of obsolete computer equipment.

6.1.1.2. Programme 2: Compliance Inspectorate, Certification and Enforcement

The purpose of this programme is to manage the inspection of health establishments in order to assess compliance with the national health system's norms and standards. It is also to certify health establishments (HEs) as compliant or non-compliant with prescribed norms and standards and makes recommendations to the Certification and Enforcement Unit on the certification of HEs that have been inspected. Table 17 below depicts the performance on annual planned targets against those set on the annual performance plan.

Table 17: Performance on Planned Targets – Programme 2

	2021/22	2020/21
Total targets in APP 2021/22	5	8
Targets reported in Annual Report 2021/22	4	4
Targets fully achieved	3	1
Partially achieved	-	1
Targets not achieved	1	2
Performance success rate	75.0%	25.0%
Budget	R54.1 million	R48.1 million
Expenditure	R49.7 million	R41.1 million
Financial expenditure rate	91.9%	85.4%

Programme 2 has experienced challenges in meeting all its targets. In 2020/21, only 4 out of 8 (25%) targets were achieved; while in 2021/22 the programme's performance increased to 75%. This

performance could be attributed to the removal of the indicators pertaining to compliance inspections in the private sector.

In terms of financial performance, the programme underspent on its allocation. The initially approved budget was R54 million, and the total expenditure was R49 million. The under expenditure was R4.3 million.

6.1.1.3. Programme 3: Complaints Management and Ombud

The purpose of this programme is to consider, investigate and dispose of complaints relating to the non-compliance with prescribed norms and standards in a procedurally fair, economical and expeditious manner. This programme has three sub-programmes: Complaints Call Centre; Complaints Assessment Unit; and Complaints Investigation Unit.

Table 18: Performance on Planned Targets – Programme 3

	2021/22	2020/21
Total targets in APP 2021/2022	5	10
Targets reported in Annual Report 2021/22	5	5
Targets fully achieved	1	2
Targets not achieved	4	3
Performance success rate	20.0%	40.0%
Budget	R20.4 million	R19.8 million
Expenditure	R22.1 million	R18.8 million
Financial expenditure rate	108.3%	98.9%

The programme's performance drastically decreased from 40% in 2020/21 to 20% during the period under review. Only one of five output indicator was fully achieved. One of the reasons cited for the under-performance, is the historic backlog cases, dating back to 2015. This was further compounded by the vacancy rate of 45%. Other reasons were attributed to the delays and lack of responses from health establishments for requested information.

Given the under-performance on its annual targets, the programme also overspent on its allocation. The budget for this programme was R20.4 million and the expenditure by end of the reporting period was at R22.1 million. The programme overspent by R1.7 million. The reason for the expenditure was due to the funding of short-term contracts funded from the surplus.

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

The purpose of the Health Standards Design, Analysis and Support programme is to provide high-level technical support to the Office through research, health systems analysis, development of data collection tools, training in the use of these tools, and analysis and interpretation of the data collected. The programme also drives the establishment of stakeholder networks for capacity building and the co-creation of information management systems.

Table 19: Performance of Planned Targets – Programme 4

	2021/22	2020/21
Total targets in APP 2021/22	2	4
Targets reported in Annual Report 2021/22	2	2
Targets fully achieved	2	0
Targets partially achieved	-	2
Targets not achieved	-	0
Performance success rate	100%	0%
Budget	R13.4 million	R12.7 million
Expenditure	R9.8 million	R9.2 million
Financial expenditure rate	73.1%	72.4%

All the targets in this programme were fully achieved. In the beginning of the reporting financial year, this Programme was allocated R13.4 million, with an expenditure of R9.8 million. The R3.6 million under-expenditure is attributed to savings arising from a vacant post that could not be filled due to unavailability of suitable skills.

6.1.1.5. Programme 5: Certification and Enforcement

The purpose of this programme is to certify compliant health establishments and take enforcement action against non-compliant health establishments. The programme is required to publish information relating to the certificates of compliance issued and enforcement action taken.

Table 20: Performance of Planned Targets – Programme 5

	2021/22	2020/21
Total targets in APP 2021/22	3	5
Targets reported in Annual Report 2021/22	3	3
Targets fully achieved	2	1
Targets partially achieved	-	1
Targets not achieved	1	1
Performance success rate	66.7%	33.3%
Budget	R2.7 million	R2.6 million
Expenditure	R2.2 million	R2.2 million
Financial expenditure rate	81.5%	82.7%

Programme 5 had three planned targets, two were achieved. The performance success rate is thus 66.7%. This is an improvement from the previous financial year's performance of 33.3%. The programme had a budget of R2.7 million and its annual expenditure was R2.2 million.

6.2.2. Financial Performance

The OHSC's revenue is derived from an allocation from National Treasury under the budget vote for the National Department of Health. During the reporting period (2021/22), the entity was allocated R158 million (compared to R137.6 million in 2020/21).

Compared to 2020/21, wherein the entity generated R139.2 million in revenue – in 2021/22, the total revenue generated increased to R160.1 million, attributed an additional R6 million of government allocation and R2 million interest from investment. In 2020/21, the entity achieved a surplus of R11 million (an increase from R6.1 million in 2020/21).

Table 21: Statement of Financial Performance

	2021/22	2020/21
	R'000	R'000
Total Revenue	160.1	139.2
Operating expenses	(40.8)	(35.3)
Total expenditure	(149.0)	(133.1)
Deficit /Surplus for the Year	11.0	6.1

Table 22 below depicts the financial position comprising assets, non-current assets, current liabilities and non-current liabilities as at the end of the reporting period.

Table 22: Statement of Financial Position

	2021/22	2020/21
	R'000	R'000
Current Assets	65.9	52.2

Non-current Assets	12.2	15.6
Total Assets	78.1	67.7
Current Liabilities	12.4	13.0
Non-Current Liabilities	-	-
Total Liabilities	12.4	13.0
Net assets	65.8	54.7

6.2.3. Report of the Auditor General

- The OHSC obtained an **Unqualified Audit opinion** from the AGSA.
- There were no material findings on the usefulness and reliability of the reported performance information reported

6.3. South African Medical Research Council (SAMRC)

The South African Medical Research Council Act, (No. 58 of 1991) (as amended) establishes and mandates the SAMRC to improve the health and quality of life of South Africans. In fulfilling its remit and in line with the aforementioned Act, the SAMRC does this through research, development and technology transfer.

6.3.1. Highlights over the reporting period ending March 2022

During the reporting financial year 2021/22, the SAMRC reported several achievements post the difficult period emanating from severe acute respiratory syndrome coronavirus 2 (SARS-COV-2) also known as COVID-19. The following highlights some of the achievements of the SAMRC.

- *Launched a 2022 – 2026 Transformation Strategy* focusing on increasing the proportion of Black people in senior management and leadership positions;
- *Made a contribution* to the management of COVID-19 through its Wastewater Surveillance and Research Programme (SAMRC WSARP) that has been conducted in many provinces;
- *Launched a Network* for Genomic Surveillance in South Africa (NGS-SA) together with the Department of Science and Innovation (DSI) for a rapid response to public health threats in South Africa;
- *Partnered with the Chan Soon-Shiong Foundation* on an ambitious program to build a vaccine manufacturing workforce;
- *Conducted a study in partnership* with the Perinatal HIV Research Unit (PHRU), which showed that female sex workers (FSWs) are exposed to extremely high levels of violence;
- *Contributed to HIV prevention* by enrolling its Verulam Clinical Research Site in Durban, KwaZulu-Natal became the fourth site on the African continent for the PrEPVacc HIV Prevention Vaccine clinical trial. This site is fourth after Masaka, Uganda; Mbeya and Dar es Salaam in Tanzania; and
- *Together with the DSI adapted* the Hyrax Biosciences Exatype software for enabling automatic SARS-CoV-2 variant typing on sequence data.

6.3.2. Strategic outcome orientated goals

Accounting on its annual performance for the period under review, the SAMRC underscores that its activities are premised on 5 strategic goals that are interlinked to the health sector Negotiated Service Delivery Agreement (NSDA). The five strategic goals are to:

- Lead the generation of new knowledge;
- Administer health research effectively and efficiently;
- Translate new knowledge into policies and practices to improve health.
- Build human capacity for the long-term sustainability of South African health research;

- Support, through funding and other mechanisms, technology development and implementation, translation of research into policy and practice, and innovations in health and technology delivery to improve health.

6.3.3. Performance for the Period 2021/22

This subsection mirrors the reported performance against the annual performance plan for 2021/22 financial year. It also compares the previous financial year's reported performance with the current performance to assess improvement in performance and potential stagnation.

Table 23: Performance on set Objectives

IMPACT STATEMENT	STRATEGIC PERFORMANCE TARGET FOR 2020/21 - 2024/25	FINAL PERFORMANCE 2021/22
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. - TARGET ACHIEVED
	Percentage of the government allocated SAMRC budget spent on administration	Performance target 20% of the allocation spent on administration. - 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 - 3 150 TARGET EXCEEDED - 3550 Articles published
	Number of accepted and published journal articles by SAMRC grant-holders with acknowledgement of the SAMRC	Performance target - 825 TARGET EXCEEDED – 930 articles published
To build an innovation community, developing life changing health solutions for South Africa, Africa and beyond	Number of new innovation and technology projects funded by the SAMRC aimed at developing, testing and/ or implementing new or improved health solutions	Performance target – 70 TARGET NOT ACHIEVED
	Number of innovation disclosures made by the SAMRC intramural research and innovation	Performance target – 5. TARGET NOT ACHIEVED,
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 – 495 TARGET ACHIEVED WITH 660 AWARDS BEING MADE
	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 – 100 TARGET ACHIEVED WITH 108 AWARDS
	Number of awards by the SAMRC to	Performance target - 70

	MSc, PhD, Postdocs and Early Career Scientists from historically disadvantaged institutions (HDIs).	TARGET NOT ACHIEVED
To contribute to building a public and policy-maker understanding of health, drivers of ill-health, 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 27 . TARGET ACHIEVED
	Number of conferences, seminars and continuing development points workshops supported by the SAMRC	Performance target – 10 . TARGET ACHIEVED - 72 conferences and seminars held

6.3.4. Financial Performance

Table 24 below presents the entity's financial performance for the reporting period ending in March 2022. Key features of the financial performance include, among others, the revenue, operating surplus as well as an indication of deficit or surplus for the year. The aforementioned features provide a compressive overview of the financial standing of the entity as shown below.

Table 24: Statement of Financial Performance

	2021/22	2020/21
	R'000	R'000
Revenue	1,267,978,551	1,169,592,562
Other income	17,612,723	15,774,552
Operating expenses	(1,306,199,153)	(1,128,036,885)
Operating (deficit) surplus	(20,607,879)	57,330,229
Investment income	25,729,929	19,638,086
Fair value adjustments	1,103,297	2,396,550
Finance costs	(204,087)	(146,531)
(Deficit) Surplus for the year	6,021,260	79,218,334

Generated revenue in 2021/22 show a moderate increase to R1.267 billion from R1,169 billion in 2020/21. Other income reflects an increase from R15.57 million in 2020/21 to R17.6 million in the 2021/22 reporting period.

Notable is the operating deficit which amounts to R20.6 million during this reporting period, while R57.3 million operation surplus was recorded in 2020/21. The operating deficit was primarily due to increases in employee costs, general expenses, and Impairment loss/reversal of impairments on intangible assets and property, plant and equipment.

Compared to March 2021, the investment income increased from R19.6 million to R25.7 million by end of March 2022. A noticeable contrast on surplus for the year is an overall surplus of R6 million by March 2022, unlike R79.2 in March 2021.

Table 25 depicts a stable financial status for the year that ended in March 2022. Similar to the previous year, the accumulated surplus stood on R422.7 million. Total assets jumped from R922 million in the preceding year to R1 billion in 2021/22 reporting period.

Table 25: Statement of Financial Position

	2021/22	2020/21
	R'000	R'000
Current Assets	786,821,546	675,795,572
Non-Current Assets	274,852,335	246,281,070

Total Assets	1,061,673,881	922,076,642
Current Liabilities	624,003,894	490,199,771
Non-Current Liabilities	10,899,898	11,128,042
Total Liabilities	634,903,792	501,327,813
Net Assets	426,770,089	420,748,829
<i>Accumulated surplus</i>	426,770,089	420,748,829

Also noted is the total liabilities that stood at R634.9 million, which is a slight increase from the R501.3 million recorded in the preceding year. This is due to increase in deferred income for the financial year for research grants it received in advance from donors.

6.3.5. Report of the Auditor-General

- The AG *did not identify any significant deficiencies* with respect to internal controls.
- The AG gave the entity a *clean audit*. This is a continuation of its clean audit performance that has been achieved in preceding years.
- The AG *confirmed the entity's donation* of vaccines to the Department of Health for the vaccine roll-out in response to the COVID-19 pandemic valued at R58.98 million.
- The AG selected Programme 2: Core Research and *did not identify any material findings* on the usefulness and reliability of the reported performance information.
- The AG *did not identify any material findings* or non-compliance with the specific matters in applicable legislation set out in the general notice issued in terms of the Public Audit Act: (PAA).

6.4. Office of the Health Ombud (OHO)

The Office of the Health Ombud (the Office) is an independent body established in terms of the National Health Amendment Act of 2013. The Office is located within the Office of Health Standards Compliance (OHSC) and shares annual allocation and human resources and reports to and is accountable to the Minister of Health. The Office was established and specifically mandated to protect and promote users of health services by considering, investigating and disposing of complaints in the national health system relating to non-compliance with prescribed norms and standards and contribute towards a development of public service culture characterised by fairness, dedication, commitment, openness, accountability and the promotion of the right to good public administration.

6.4.1. Milestones during the 2021/22 reporting period

The OHO notes the following milestones:

A. Eastern Cape Department of Health Investigation

The OHO undertook a follow-up investigation following the investigation of the Public Protector and the OHSC Compliance Inspectorate, in response to complaints of below standard service delivery at Livingstone Hospital, Dora Ngiza Hospital and Uitenage Provincial Hospital. As well complaints of a sub-optimal relationship between the province and the medical school.

The OHO found that very little progress has been achieved regarding the Public Protector and the OHSC Compliance Inspectorate's findings and recommendations. The OHO notes with concern that the consequence of this finding is the continued suffering of patients due to poor service delivery. Furthermore, the building of an excellent research culture would suffer negatively.

- B. **The Twinning Agreement** between the Office of the Health Ombud of South Africa and the UK Parliamentary and Health Service Ombudsman (PHSO) was signed in March 2021 by the heads of both the entities. The aim of the twinning agreement is to foster cooperation and the exchange of knowledge, experience and skills in investigating and managing health-sector complaints, which cannot be resolved by other government departments or related institutions.

In terms of progress, a total of five learning exchange sessions were held between the PHSO and the OHO.

6.4.2. Performance for the Period 2021/22

This section discusses the performance of the OHO per programme.

6.4.2.1. Complaints Management Programme

The Complaints Management Programme comprises three sub-programmes, namely: Complaints Call Centre; Complaints Assessment Unit; and Complaints Investigation Unit.

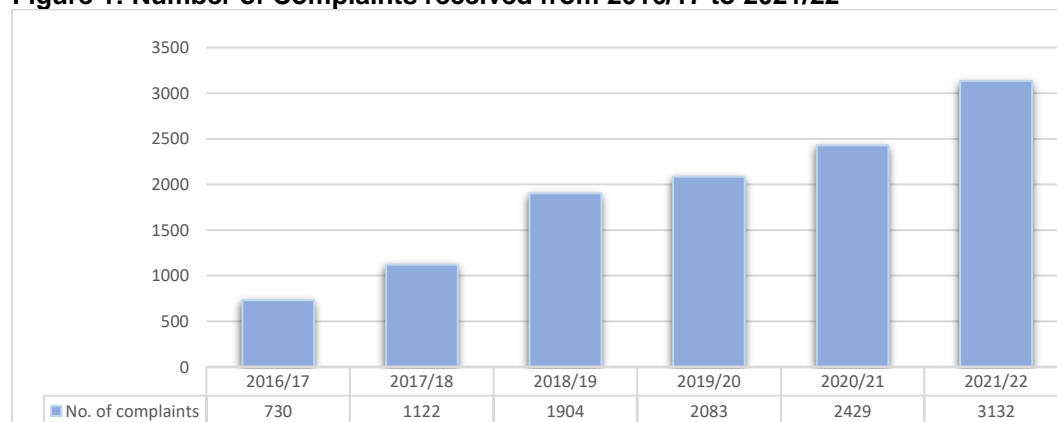
6.4.2.2. Sub-programme: Human Capital

During the reporting period 2020/21, the Complaints Centre and Assessment Unit operated at 74% (76% in the previous financial year) i.e. 20 of 27 posts filled. Six of the filled posts were funded on a contract basis within the Complaints Assessment Unit and contributed significantly in reducing the backlog in cases requiring assessment.

6.4.2.3. Sub-programme: Complaints Call Centre

The purpose of the Complaints Call Centre is to receive complaints from the public regarding breaches of norms and standards by health establishments through calls, walk-in submissions, email and written letters.

Figure 1: Number of Complaints received from 2016/17 to 2021/22



As shown in figure 1, the number of people utilising the Complaints Call Centre and Assessment Unit has grown steadily over the past five years. In 2021/22 the Complaints Call Centre saw a 28.9% year-on-year increase in complaints received and registered, 3 132 complaints, compared to 2 429 in 2020/21.

The Complaints Call Centre achieved 83% of its indicators, against a target of 75%. Measures implemented to ensure continuity of services included diverting calls to the phones of Call Centre staff and enabling remote access to the online complaints management system.

The majority of complaints were received from Gauteng (57%), followed by Western Cape and KwaZulu-Natal recording similar number of complaints (10.8% and 10.2% respectively). The OHO is of the view that the proximity of Gauteng to OHO and the confidence of residents in using reporting system may be a contributory factor to the significantly higher number of complaints received from the province

During the period under review, about 92.4% of complaints were received through email and all other complaints were registered by phone. In terms of the complaints classification, almost 99% of complaints received were classified as low risk, many resolved by health establishments. The majority (83%) of complaints logged were closed by the Call Centre within 25 days, within the target of 75%.

6.4.2.4. Sub-programme: Complaints Assessment Unit

The purpose of the Complaints Assessment Unit to assess medium risk-rated complaints and either propose ways to resolve them or refer them to the Investigation Unit for investigation.

The Complaints Assessment Unit has been under-resourced, it had 112 backlog complaints at the beginning of 2021/22 and managed to resolve 105 of these. The unit also managed to resolve 39 new complaints within 30 working days of receiving feedback from the complainant and/or health establishment. The unit managed to resolve a total of 144 cases during 2021/22 financial year. A total of 17 cases were referred for investigation.

6.4.2.5. Sub-programme: Complaints Investigation Unit

The Complaints Investigation Unit is comprised of two sections, namely: Healthcare and Legal. The OHO notes the 2021/22 financial year marks the 4th financial year that the unit operated with five vacancies attributed to funding limitations. These vacancies are said to contribute to the prolonged turnaround time for complaint resolution.

In 2020/21 reporting period, five cases were resolved and 23 cases in 2021/22. The performance of the unit was significantly affected by the Covid-19 pandemic in 2020/21, which required onsite investigations.

Of the 23 cases resolved for 2021/22, nine were from Gauteng in the following disciplines: accident and emergency, dentistry, family medicine, intensive care unit, internal medicine, maternity and surgery. Four of the 23 cases were from Eastern Cape, KwaZulu-Natal (1), Limpopo (1), Mpumalanga (1), North West (2), Northern Cape (1) and Western Cape (2).

On legal matters, the OHO received notice of appeal from two officials in respect of the investigation report into the circumstances surrounding the care and death of Mr Shonisani Lethole at Tembisa Provincial Tertiary Hospital on the 27th of January 2021. A Tribunal conducted hearings on 5th October 2021, awaiting outcomes. The OHO received legal opinion on four cases before it.

6.4.3. Financial performance

The OHO 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.

6.4.4. Challenges the Office faces

The Office has stated the following obstacles that it faces:

- Failure of Parliamentarians to understand the role of the Health Ombud on the processes of lodging complaints;
- Delays in responses to requested information by some health establishments, which prolongs the turnaround time for the complaint resolution;
- Disgruntled complainants who are aggrieved by the findings and recommendations of the Ombud; and
- The unavailability of the key witnesses during onsite investigations impact the complaints resolution time.

6.4.5. Interventions implemented

Some of the interventions implemented by the OHO included the following:

- Issued correspondence to heads of department (HoDs) of the non-responsive health establishments to cooperate and supply the Ombud with the requested information.
- Conducted provincial outreach visits to Health MECs and HoDs to raise awareness on the functions of the office of the Health Ombud.
- Developed a policy on handling unreasonable complainants to mitigate challenges encountered with unreasonable complainants.

6.4.6. Achievements

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

- Successful registration of the Office to the African Ombudsman and Mediators Association (AOMA).
- Official launch of the twinning agreement of the OHO and the United Kingdom PHSO.
- Reviewed the draft OHO Bill in collaboration with the NDoH. The process is on track and progressing well. Dr Crisp has been assigned to oversee the completion of the process.

6.5. Compensation Commissioner for Occupational Diseases (CCOD)

The Compensation Commissioner for Occupational Diseases (the CCOD) in Mines and Works has changed its name in accordance with the establishing legislation - the Occupational Diseases in Mines and Works Act 1973, (No. 78 of 1973) (ODMWA, *thereafter*, the Act) to Mines and Works Compensation Fund (the MWCF or the Fund). Among others, the Act prescribes two things i.e.:

- The Minister of Health shall appoint, an officer to be called the Compensation Commissioner for Occupational Diseases; and
- The establishment of a fund to be called the Mines and Works Compensation Fund (the MWCF).

In comparison with other entities, the MWCF is unique because it does not have a board but functions as a sub-programme of the National Department of Health, responsible for controlling and administering the Fund. The mandate of the MWCF is to ensure that there are effective and efficient processes of claims management and compensation of workers and ex-workers in controlled mines and works in terms of the Act. Additionally, the MWCF collects revenue on behalf of the Fund based on levies per risk shift per commodity. In terms of oversight, the NDOH plays that role of over the MWCF and provides funds from the fiscus for the administration of the Fund.

6.5.1. The MWCF's achievements over the reporting period

During the year under review (2021/22), the MWCF demonstrated utmost commitment to reclaiming its previous glory, while forging ahead by defying the odds and accomplishing considerable milestones. The subsection below depicts its achievements that were realised during the period under review despite some having been started in prior financial years:

- Collected levies from 83% of controlled mines and works.
- Issued payments to 6 155 claimants amounting to R139.3 million.
- Completed an assessment of controlled mines and works – which recorded 857.
- Introduced a web-based scanning process to track the movement of claimant files.
- Inspected 139 mines and works - more than 41 inspections done in the preceding year.
- Obtained unqualified audit opinion for 2019/2020 and 2020/2021 financial years.
- The AGSA audited its Annual Financial Statements for the 2019/2020 and 2020/2021.
- Concluded the Annual Reports and Financial Statements for the 2018/2019 and 2019/2020 financial years;
- The external actuary completed the actuarial valuation of the Fund as at 31 March 2022.

- Replaced the Interim Mineworkers Compensation System (iMCS) with the Compensation Claims Management System (CCMS); and
- Tabled its audited Annual Report and Financial Statements to Parliament for 2014/2015, 2015/2016, 2016/2017 and 2017/2018 financial years.

6.5.2. Key strategic objectives

In the 2021/22 financial year, the MWCF has four strategic areas:

- Enhancing the claims management system;
- Maintenance of the database of controlled mines and works;
- Submission of amendments to the ODMWA, to the Director-General of the NDOH; and
- The submission of annual reports of the Fund for the 2019/2020 and 2020/2021 financial years to the Auditor-General of South Africa.

6.5.3. Performance for the Period 2021/22

The MWCF annual report provides 9 performance targets, of which 5 were achieved, while 4 were missed. There are varied reasons for not achieving all the set targets. The following are some of the reasons:

- A significant reduction of claimant application packs received from service providers and one stop service centres was observed; and
- The new IT system phased rollout continued in the year leading to the reduced Benefit Medical Examination (BME) submissions from service providers and one stop centres for certification.

Table 20 below highlights the targets met and highlights the reasons for the targets not met.

Table 20: Performance on set targets for the financial year 2021/22

Planned Target	Performance	Target Achieved/Not achieved
Submission of amendments to ODMWA to the Director-General of the National Department of Health	New ODMWA bill was noted by the Director- General and the Minister of Health. A request to process the Bill was sent to the Deputy President from the Minister.	Achieved
Master database updated for payments made, new claims and new certifications for the month before the 7th of the next month. External data exchange updates and/or additions to the master database once a quarter	Master database updated for payments made, new claims and new certifications. External data exchange updates and/or additions to the master database external parties done for all quarters except Q2.	Not achieved
12 000 certifications finalised on the Mineworkers Compensation System per year	5 969	Not achieved
7 000 benefit payments made by the CCOD (other than pension	4 678	Not achieved

payments)		
60% Of all claims finalised in within 90 days of receipt of all completed claim documents	90%	Achieved
80% of controlled mines and works paying levies to the CCOD	83% of controlled mines and works paying levies to the CCOD	Achieved
Submission of the 2019/2020 and 2020/2021 annual financial statements to the AGSA	Submission of the 2019/2020 and 2020/2021 annual financial statements to the AGSA	Achieved
77 of the number of controlled mines and works inspected	139	Achieved

6.5.4. Financial Performance

Table 21 shows a total revenue amounting to R480.5 million for 2021/22 financial year, which is a jump from R377.1 million from the preceding financial period. On expenditure, the debt impairment shows an increase from R2.4 million in 2020/21 to R5.7 million by end of March 2022.

Table 21: Statement of Financial Performance

	2021/22	2020/21
	R'000	R'000
REVENUE		
Total revenue from exchange transactions	422 279 179	319 520 852
TRANSFER REVENUE		
Total revenue from non-exchange transactions	58 309 469	57 656 547
Total revenue	480 588 648	377 177 399
EXPENDITURE		
Debt impairment	(5 721 147)	(2 453 653)
Goods and services in-kind from the national Department of Health	(57 843 885)	(56 835 087)
Movement in provisions and general expenses	(3 747 420)	(173 188 714)
Total expenditure	(329 629 478)	(517 824 555)
Surplus / (deficit) for the year	150 959 170	(140 647 156)

Total expenditure is shown as having decreased from R517.8 million in 2020/21 to R329.6 million in 2021/22. Expenditure declined due to a decrease in actuarial valuation expenses, movement in provisions, and pension payments for pneumoconiosis.

Unlike the previous year where an overall deficit of R140.6 million was recorded – in 2021/22 financial year a surplus of R150.9 million was recorded. Table 3 presents the financial position comprising assets, current liabilities and non-current liabilities as at 31 March 2022 in comparison with the preceding period ending in March 2021.

Table 22: Statement of Financial Position

	2021/22	2020/21
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	R'000	R'000
Current Assets	5 154 268 246	4 965 660 047
Non-Current Assets	-	-
Total Assets	5 154 268 246	4 965 660 047
Current Liabilities	1 103 416 321	1 178 743 225
Non-Current Liabilities	10,899,898	11,128,042
Total Liabilities	3 552 525 990	3 514 876 961
Net Assets	1 601 742 256	1 450 783 086
<i>Accumulated surplus</i>	1 601 742 256	1 450 783 086

In reference to table 22, current assets grew from R4.965 billion in 2020/21 to R5.154 billion in 2021/22. Total liabilities remained stable at R3.5 billion, while net assets and accumulated surplus increased from R1.4 billion in the preceding year to R1.6 billion in March 2022.

6.5.5. Reports of the Auditor General

6.5.5.1. For 2021/22 Reporting Period

- The AG gave an unqualified audit opinion for 2021/22 financial years with no findings;
- The AG did not identify any material findings or non-compliance with the specific matters in applicable legislation set out in the general notice issued in terms of the Public Audit Act (PAA).
- The AG asserts that the MWCF is not required to prepare a report on its performance against predetermined objectives, as it is not a listed public entity in terms of PFMA and therefore does not fall within the ambit of the Act.
- The AG furthermore, stated that the Occupational Diseases in Mines and Works Act does not require for the preparation and audit of the annual performance report.
- The AG did not identify any significant deficiencies with respect to internal controls.

6.5.5.2. For 2020/21 Reporting Period

- The AG gave an unqualified audit opinion for 2020/21 financial years with findings;
- The AG asserts that the CCOD is not required to prepare a report on its performance against predetermined objectives, as it is not a listed public entity in terms of PFMA and therefore does not fall within the ambit of the Act.
- The 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.
- Material misstatements of contingent assets identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.
- Leadership did not ensure that the entity has a functioning audit committee.
- Leadership did not exercise oversight responsibility for financial reporting and compliance, as well as related internal controls.
- Management did not prepare accurate financial reports supported and evidenced by reliable information.
- An independent consultant appointed by the entity was investigating various allegations of financial misconduct and possible fraud. The outcome was finalised in December 2020 and the service provider has handed over the cases for prosecution. These proceedings were in progress at the date of this report.

6.5.5.3. For 2019/20 Reporting Period

- The MWCF obtained an unqualified audit opinion for 2019/2020

- The fund is not required to prepare a report on its performance against predetermined objectives, as it does not fall within the ambit of the PFMA and such reporting is not required in terms of the entity's specific legislation.
- Financial statements were not submitted for auditing within the prescribed period after the end of the financial year, as required by section 55(1)(c)(i) of the PFMA.
- The 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.
- Material misstatements of revenue identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.
- The leadership did not exercise its oversight responsibility for financial reporting, compliance and related internal controls.
- Leadership did not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.
- Management did not prepare accurate financial reports that are supported and evidenced by reliable information.

6.5.5.4. For 2018/19 Reporting Period

- The AG gave a *qualified audit opinion* for the period ending March 2019.
- The AG stated that appropriate internal controls for section 62 (levies) and section 63 (research levies) were *not implemented effectively*.
- *Financial statements were not* submitted for auditing within the prescribed period after the end of the financial year, as required by section 55(1)(c)(i) of the PFMA.
- The financial statements submitted for auditing *were not supported by full and proper records* as required by section 55(1)(a) of the PFMA.
- *Material misstatements identified* by the auditors in the submitted financial statements were not corrected, which resulted in the financial statements receiving a qualified opinion.
- The *commissioner did not receive all moneys* payable to or for the benefit of the compensation fund and did not credit to the compensation fund, all such moneys and all moneys which, in terms of section 62 and 63 of the Occupational Diseases in Mines and Works Act 78 of 1973 (ODMWA), are to be paid to and received by the commissioner, as required by section 61(4) of the ODMWA.
- The *leadership did not exercise its oversight* responsibility for financial reporting, compliance and related internal controls.
- *Insufficient capacity at the entity* resulted in deficiencies in internal controls, which led to the failure to ensure that all revenue relating to the entity is invoiced and recorded.

6.6. Council for Medical Schemes (CMS)

The Council for Medical Schemes 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 protect 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 including:

- Protecting members of the public and informing them about their rights, obligations and other matters related to medical schemes;
- Ensuring that complaints raised by members of the public are handled appropriately and speedily;
- Ensuring compliance with the Medical Schemes Act (No.131 of 1998);
- Ensuring improved management and governance of medical schemes;
- Advising the Minister of Health on appropriate regulatory and policy interventions; and
- Ensuring Collaboration with other stakeholders in executing its regulatory mandate.

As per its Strategic Plan, the CMS has six strategic goals for the 2020 – 2025 period:

1. To promote the improvement of quality and the reduction of costs in the private healthcare sector;
2. To encourage effective risk pooling;
3. To ensure that all regulated entities comply with the MSA and Regulations;
4. To be a more effective and efficient organisation;
5. To conduct policy-driven research, monitoring and evaluation of the medical schemes industry to facilitate decision-making and policy recommendations to the Health Ministry; and
6. To collaborate with local, regional and international entities.

6.6.1. Performance for the Period 2021/22

In terms of performance, CMS achieved 83.3% of all target indicators set. Some of the performance achievements during the financial year include:

- Obtaining an unqualified report by the Auditor-General of South Africa (AG);
- The following prescribed minimum benefits (PMB) benefit definitions guidelines were published:
 - COVID-19 (updated);
 - Multiple Myeloma;
 - COVID-19 (updated);
 - Pain Management;
 - Prostate Cancer;
 - Adult T-Cell Leukaemia/Lymphoma;
 - Burkitt's Lymphoma;
 - T-Cell Prolymphocytic Leukaemia;
 - Myeloproliferative Neoplasm;
 - Acute Myeloid Leukaemia;
 - Cutaneous T-Cell Lymphoma;
- The number of stakeholder awareness activities were more than doubled (target: 25; achieved: 67) when, as in the previous year, one would reasonably expect this target not to have been reached due to COVID-19 lockdowns.

Table 23: Highlights of some of the key 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 overall performance of the entity is maintained at above 80%	83.3%
	Ensure that 95% of requests for information and finalised within 30 days	Achieved: 99%
	Minimise staff turnover to less than 15% per annum	Achieved: 9.5% Staff turnover.
	Average turnaround time of 120 working days to fill vacancies	Not Achieved: 492 days. Vacancies for General Managers were not filled because of the approval of the new macro-micro structure.
	95% of employee performance agreements are signed	Achieved: 100%
	95% of employee performance assessments concluded biannually	Achieved: 99.72%

PROGRAMME	PLANNED TARGET 2020/21	ACTUAL PERFORMANCE 2020/21
	Percentage of written and verbal legal opinions provided to internal and external stakeholders, per year- target 85%	Achieved: 85%
	Percentage of Appeal Committee and Appeals Board Scheduled within 14 days upon receipt of all supporting documents (as per schedule)	Not Achieved: 75%. The target was not achieved due to a shortage of staff which has since been addressed.
2. STRATEGY OFFICE	The number of benefit definitions published, target: 10	Achieved: 10
	Percentage of category 1 clinical opinions reviewed provided, target: 90%	Achieved: 100%
	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
5. STAKEHOLDER RELATIONS	25 stakeholder training and awareness sessions conducted	Achieved: 67 sessions were conducted, exceeded the target due to additional stakeholder interventions in response to a petition regarding breast reduction surgery and an initiative to make diabetes sensor technology available for all Type 1 Diabetics.
	Submit CMS annual report to the Executive Authority by 31 August	Achieved
6. COMPLIANCE AND INVESTIGATIONS	Number of routine inspections finalised, target: 15	Achieved: 17

PROGRAMME	PLANNED TARGET 2020/21	ACTUAL PERFORMANCE 2020/21
	Percentage of commissioned inspections finalised, target: 80%	Not achieved: 29% (-51%). Two inspections were still ongoing during the period under review.
7. BENEFITS MANAGEMENT	80% interim rule amendments are processed within 14 days of receipt	Achieved: 80%
	90% of annual rule amendments are processed before 31 December each year	Achieved: 90% amendments were processed
8. FINANCIAL SUPERVISION	Recommendations in respect of Regulation 29 for 100% of business plans received	Achieved : 100%
	Three (3) quarterly financial return reports published	Achieved
	Financial sections prepared for the annual report	Achieved
9. COMPLAINTS ADJUDICATION	70% of Category 4 complaints adjudicated within 120 working days	Achieved: 90% (+20%)
	70% of Category 3 complaints adjudicated within 90 working days and in accordance with complaints standard operating procedures	Achieved: 78% (+8%)

6.6.1.1. Medical Schemes industry

- In 2022, there were 72 medical schemes, and 27 administrators, 44 managed care organisations, 2156 broker organisations, and 7 530 individual brokers.
- Bear in the year 2000 there were 144 schemes, with 97 restricted schemes and 47 open schemes.
- Medical scheme **membership increased slightly** (by 48 887 beneficiaries) during 2021, to end the year with 8.95 million beneficiaries. However, the CMS anticipates that high inflation will affect membership in the long-term.

6.6.1.2. Complaints adjudicated

During the reporting period, the CMS received 2 265 new complaints with 974 complaints carried over from the previous financial year, totalling 3 239 complaints. Two thousand, three hundred and seventy-nine (2 379) complaints were resolved in 2021/22, with 860 complaints carried over to the next financial year.

6.6.2. Financial Performance

This section discusses the financial performance of the CMS for the period under review.

Table 24: Summary of Statement of Financial Position

	2021/22	2020/21 Restated
	R'000	R'000
Current Assets	22 313	17 099
Non-current Assets	14 923	16 230
Total Assets	36 236	31 740
Current Liabilities	29 581	44 937
Non-Current Liabilities	5 399	10 273
Total Liabilities	34 980	55 210
Net assets (liabilities)	2 256	(21 881)

Table 24, above, provides a summary of the financial position of the CMS. By end of March 2022, the entity's net assets increased from a liability of R21.9 million in 2020/21, to having a net asset value of R2.3 million. Total assets increased by 12.5 per cent from R31.7 million to R36.2 million. Total liabilities declined from R55.2 million in 2020/21 to R35.0 million in 2021/22 (36.6 per cent decrease). Current liabilities also decreased 34.2 per cent from R45.0 million to R29.6 million.

Table 25: Statement of Financial Performance

	2021/22	2020/21 Restated
	R'000	R'000
Revenue	186 772	183 893
Gain on disposal of assets	4	14
Administrative expenses	(26 203)	(27 189)
Auditors' remuneration	(1 961)	(2 583)
Operating Expenses	(23 395)	(40 217)
Staff costs	(110 144)	(116 771)
Depreciation and amortisation	(2 913)	(3 226)
Bad debt	-	(291)
Interest received	1 978	1 633
Finance costs	-	(51)
Surplus/(deficit) for the year	24 137	(4 785)

Table 25, above provides the Statement of Financial Performance. Some key points are highlighted including:

- Revenue increased 1.5 per cent from R183.9 million in 2020/21 to R186.8 million in 2021/22. The largest portion of revenue (90 per cent) is from levies income amounting to R170.1 million.
- CMS received a grant from the National Department of Health to the amount of R6.2 million in 2021/22, down 5.0% from the R6.5 million received in 2020/21.
- Administrative expenses were reduced from R27.2 million in 2020/21 to R26.2 million in 2021/22. Staff costs also declined from R116.8 million in 2020/21 to R110.1 million in 2021/22.
- The CMS moved from having a deficit of R4.8 million in the previous financial year to having a surplus of R24.1 million.

6.6.3. Report of the Auditor-General

- The CMS maintained an unqualified audit opinion with findings on compliance. The entity has been in this category for several years, mainly due to instances of non-compliance relating to the prevention of irregular expenditure and the material amendments to the annual financial statements.

- 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.
- 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.
- The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by the PFMA. Material misstatements of provision for long service awards, revenue and receivables, cash flow statements and financial liabilities identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.
- The CMS did not exercise proper consequence management against officials who incurred irregular expenditure as required by the PFMA due to limited resources to perform investigations.
- CMS has an accumulated irregular expenditure of R64.1 million. R59.2 million is carried forward from previous years. R14.6 million was submitted to the National Treasury for condonation and R13.0 million (R12 969 000) was condoned.
- The performance report submitted had material misstatements that management were able to correct, resulting in no material findings in the audit report relating to reported achievements.
- Management needs to strengthen controls relating to the preparation and review of financial statements and performance reports and those relating to supply chain management processes. All instances of irregular expenditure need to be investigated and consequence management effected to prevent re-occurrence.

6.7. 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, of the National Department of Health. SAHPRA came into existence in February 2018. SAHPRA is responsible for the regulation of health products intended for human and animal use; the licensing of manufacturers, wholesalers and distributors of medicines and medical devices, radiation emitting devices and radioactive nuclides; and to conduct clinical trials in a manner compatible with the national medicines policy

The following are some of the notable developments in terms of the service delivery environment during the reporting period:

- SAHPRA was challenged through public protests and experienced political pressure in areas such as cannabis.
- SAHPRA faced litigation cases pertaining to the application for the approval of the use of Ivermectin, regulatory decisions on COVID-19 vaccines, the classification of cannabidiol and the regulations on complementary medicines. Some of the court cases have been finalised while others are still pending.
- SAHPRA reduced the time taken to register COVID-19 vaccines to less than three months, compared to the average of 20 months it takes to approve new medicines or vaccines.
- The transitioning to digital platforms, resulting in the receipt of applications electronically has proven to improve the turnaround time for the processing of applications.

- The progress of the backlog clearance programme was negatively impacted due to the global COVID-19 lockdown during the previous financial year, however there seem to be less challenges posed by the pandemic.
- SAHPRA approved and implemented the Policy on Priority Review Pathways for medicines. The policy provides for priority review to facilitate greater accessibility and availability of medicines. The pre-submission meetings provided a common understanding of the required supporting documentation as well as resolve issues before the application is submitted.
- SAHPRA implemented strategies to reduce the backlog building up in generic medicine registrations.
- SAHPRA conducted inspections related to Good Manufacturing Practice, Good Warehouse Practice, Good Clinical Practice, Good Distribution Practice and Good Vigilance Practice as well as inspections related to complaints and matters of regulatory non-compliance.
- Local physical onsite inspections increased as full-onsite inspections, or hybrid method of on-site and remote online inspections were conducted.
- SAHPRA approved the majority of unregistered medicines that treat COVID-19 infections within 24 working hours. SAHPRA continued to provide access to Ivermectin through the controlled compassionate use programme.
- During the period under review, there was an increase in the number of applications for medical device establishment licences.

6.7.1. Performance for the Period 2021/22

During the period under review, SAHPRA achieved 18 out of the 25 indicators set (72%, a significant improvement, as compared to 52% in 2020/21). The performance achievements during the 2021/22 financial year are highlighted below:

Table 26: Highlights of some of SAHPRA's Performance Indicators

PROGRAMME	PLANNED TARGET 2021/22	ACTUAL PERFORMANCE 2021/22
10. LEADERSHIP AND SUPPORT	Obtain an unqualified opinion issued by the Auditor-General	Achieved: Unqualified audit opinion obtained
	Total revenue generated from fees (R162 million)	Achieved: R169 million
	Break-even of expenses and revenue	Achieved: R28 million
	40% of prioritised recommendations from the stakeholder survey implemented	Achieved: 67%
	50% of the change management interventions implemented	Achieved: 92%
	30% of the workplace skills plan implemented	Achieved: 39%
	60% of budgeted positions filled	Achieved: 96% of budgeted positions filled
	Nine (9) business processes digitised	Not Achieved: 3 business processes digitised
11. HEALTH PRODUCTS AUTHORISATION	95% of medicine registration backlog cleared	Not Achieved: 75%
	95% of medicine variation applications in the backlog cleared	Achieved: 95%
	80% of New Chemical Entities finalised within 590 working days	Achieved: 100%

PROGRAMME	PLANNED TARGET 2021/22	ACTUAL PERFORMANCE 2021/22
	60% of generic medicines finalised within 250 working days	Achieved: 80%
	40% of Quality Management System requirements implemented	Achieved: 73%
12. INSPECTORATE AND REGULATORY COMPLIANCE	60% of new GMP and GWP related licenses finalised within 125 working days	Not Achieved: 42%
	70% of permits finalised within 20 working days	Achieved: 71%
	70% of health product quality complaints reports reproduced within 30 working days	Achieved: 72%
13. CLINICAL AND PHARMACEUTICAL EVALUATION	Finalise 85% of applications for the sale of unregistered Category A (human medicines) within 24 working hours	Not Achieved: 57%
	Finalise 80% of human clinical trial applications within 90 days	Achieved: 95% finalised within 120 days
	70% of reports on health products safety signals issued within 40 working days	Not Achieved: 28% reports issued within 40 working days
	Number of safety awareness webinars held (target, 4)	Achieved: 13
14. MEDICAL DEVICES AND RADIATION CONTROL	70% of medical device establishment licence applications finalised within 90 days	Achieved: 76%
	Develop Guidelines to support the medical device registration regulations approved by the Executive Committee	Not Achieved: Guidelines can only be approved once the Medical Device Regulations are approved; currently under review
	Finalise 70% of applications for radionuclide authorities within 30 working days	Achieved: 72% finalised within 30 working days
	Finalise 70% of licence applications for listed-electronic product within 30 working days	Achieved: 99% finalised within 30 working days
	Approve Co-Regulation Model with the National Nuclear Regulator	Not Achieved: Further work had to be undertaken to strengthen the initial Co-Regulation Recommendation

6.7.2. Financial Performance

SAHPRA's total revenue for 2021/22 was estimated at R367.5 million, with R191.7million from exchange transactions and R175.8 million from non-exchanged transactions. SAHPRA's total expenditure was R339.3 million against a budget of R357.6 million. SAHPRA's surplus at the end of the financial year totalled R28.2 million, as compared to a deficit of R19.6 million in 2020/21. The accounting surplus was due to additional funding, delays in filling vacancies and general under-expenditure.

Table 27: Statement of Financial Performance

	2021/22 R'000	2020/21 R'000
Current Assets	264 705	164 346
Non-current Assets	29 438	31 697
Total Assets	294 144	196 043
Total Liabilities	240 499	170 636
Net assets	53 644	25 407
Accumulated surplus	53 644	25 407
REVENUE		
Revenue from exchange transactions	191 696	113 732
Revenue from non-exchange transactions	175 848	180 208
Total revenue	367 544	293 941
EXPENDITURE		
Total expenditure	(339 307)	(313 597)
Surplus for the year	28 237	(19 656)

By March 2022 SAHPRA had a net asset position of R20.3 million. The current assets (totalled R264.7 million) include cash and cash equivalents of R244.4 million. Current liabilities amounted to R240.5 million, also makes provision for R12.5 million deferred income for the backlog reduction project.

6.7.3. Report of the Auditor-General

- SAHPRA obtained an Unqualified audit opinion (an improvement in audit outcomes as compared to 2020/21).
- 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 – Clinical and Pharmaceutical Evaluation.
- The AG notes that effective and appropriate steps were not taken to prevent irregular expenditure amounting to R3 009 867.
- On revenue management, effective and appropriate steps were not taken to collect all revenue due.
- The AG notes that the entity did not implement proper record keeping to ensure complete, relevant and accurate information to support financial statements.

7. COMMITTEE OBSERVATIONS AND FINDINGS

The Committee, during its deliberations made the following observations:

7.1. Department

Audit outcomes: -

- The Committee noted with concern that the findings of the Auditor-General on the National and Provincial Departments of Health remain unchanged year on year.
- The Committee further noted that there seems to be no accountability regarding consequence management.
- The Committee was concerned about the Department's regression in audit outcomes.
- The Committee noted the stagnation in audit outcomes of provincial departments.

Overall performance and reporting: -

- The Committee was concerned at the slow pace in the reopening of the nursing colleges.
- The Committee was concerned about the vacancy rates at the Office of Health Standard Compliance and the Office of the Health Ombud and were concerned how the two entities were going to deliver on their mandate with staff shortages.
- The Committee expressed concern over vacancies at the Department of Health and wanted to know when these will be filled.
- Concern was raised in relation to the decline in the number of primary healthcare facilities that qualify as Ideal Clinics. Further noting that clinics are the first point of contact for patients.
- The Committee expressed concern regarding the backlog in elective surgeries.
- The Committee was concerned about the lack of visible programmes implemented by the Department on Gender-Based Violence (GBV).
- Major concern was raised on general health service provision, particularly the inaccessibility of primary health care services, citing certain incidences where patients were denied access to health care services.

Medico-legal claims: -

- The Committee noted with concern that medico-legal claims exceed provincial departments' budgets.
- The Committee noted with concern that the Case Management System on medico-legal claims was only implemented in one province and questioned whether a feasibility study was conducted to determine its viability.

Infrastructure: -

- On the infrastructure audit by the AG, the Committee noted with concern that infrastructure management at provincial departments remains a major challenge.

Financial management: -

- The Committee expressed concern over the irregular expenditure incurred by the Department amounting to R16.6 million.
- The Committee noted with concern that provinces are under financial strain resulting in increased accruals and late payment of suppliers and wanted to know what the Department was doing to assist provinces.
- The Committee was concerned that irregular, wasteful and fruitless expenditure incurred in the health sector continue to increase amounting to billions.

7.2. NHLS

- The Committee commended the NHLS for obtaining an unqualified audit opinion.
- The Committee was concerned about the AG's findings, including the incurred irregular expenditure and wanted to know what the entity was doing to address these findings.
- The Committee noted the minimal presence of the NHLS in the Northern Cape.

7.3. 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 vacant 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 was concerned about the number of public health establishments inspected during the period under review and sought further details on plans to increase this to at most 50%.
- 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.

7.4. SAMRC

- The Committee commended the SAMRC for maintaining a clean audit.
- The Committee pointed out the need for research on mental health.

7.5. CCOD

- The Committee commended the CCOD for getting its financial reporting up to date.
- The Committee was concerned about the unclaimed benefits that needed to be paid to the beneficiaries.

7.6. OHO

- The Committee welcomed the progress made in drafting legislation that will ensure that the Office of the Health Ombud becomes an independent entity.
- The Committee was concerned about the staff shortages confronting the office of the Health Ombud.

7.7. CMS

- The Committee was concerned about the 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 wanted to know why the Council for Medical Schemes was overstepping its jurisdiction by regulating medical insurance, whereas their mandate was to regulate medical schemes.
- The Committee sought progress on the Section 59 investigation into allegations of racial profiling by medical schemes.
- The Committee wanted to know how far the SIU investigation into maladministration at the CMS was and whether there were any actions taken against transgressors.

7.8. SAHPRA

- The Committee commended SAHPRA for the improved audit outcomes and for obtaining the WHO maturity level three.
- The Committee was concerned about the findings by the Auditor-General on the entity and wanted to know how they were going to address these.
- The Committee observed that there were deficiencies in internal controls and sought clarity on measures that the Regulator has put in place to address the shortcomings, specifically on supply chain management and consequence management.
- The Committee wanted to know who the sponsors and funders of SAHPRA were and the working relationship with each sponsor and funder.
- The Committee wanted to know why Pfizer has not withdrawn following the leaked report on possible adverse effects that were hidden from the public and whether SAHPRA was aware of this information and its response was thereof.
- The Committee wanted to know the number of cases on adverse effects and alleged deaths due to vaccines and the number of investigations that have been concluded thus far.

8. COMMITTEE RECOMMENDATIONS

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

8.1. Department of Health

Audit outcomes -

- Ensure that all the findings of the Auditor-General are addressed in order to improve on audit outcomes 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 a report to the Committee on how the three provinces (EC, NC and KZN) as flagged by the AG, are assisted to improve on their audit outcomes.
- 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.

Overall performance and reporting: -

- Provide a report on the implementation of the Mental Health Policy Framework to ensure effective provision of mental health care services.
- The Department should accelerate the reopening of nursing colleges in order to increase the output of nurses.
- Provide the Committee with a detailed turnaround plan to address the surgery backlogs.
- Report to the Committee on its role and plan to address GBV.
- Ensure the scale-up of the Ideal Clinic programme and report quarterly to the Committee on progress.

Medico-legal claims: -

- Provide the Committee with an action plan on the management of medico-legal claims, as these put immense pressure on provincial department's budget.
- Ensure extensive roll-out of the Case Management System to assist with the management of medico-legal matters.

Financial management: -

- Assist the health entities whose performance is restricted by budgetary constraints, to ensure their optimal operation.
- Put systems and measures in place to prevent irregular, fruitless and wasteful expenditure.

8.2. Entities

8.2.1. NHLS

- The entity should address all the matters raised by the Auditor-General of South Africa.

8.2.2. 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.

- 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 which have been prioritised to reach compliance standards.

8.2.3. CCOD

- The CCOD should put mechanisms in place to track and trace beneficiaries of unpaid funds.

8.2.4. CMS

- The entity should ensure that it addresses all the AG's findings.
- Strengthen public education on medical schemes options and benefits.

9. 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.