# NATIONAL ASSEMBLY

**FOR WRITTEN REPLY**

**QUESTION NO. 106**

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**(INTERNAL QUESTION PAPER NO. 01)**

**Mrs M O Clarke (DA) to ask the Minister of Health:**

(1) With reference to his department receiving an unqualified audit with findings from the Auditor-General for 2020-21, what (a) were the findings regarding the specified audit report and (b) consequence management has been put in place by his department;

(2) whether there are distinct timelines factored into the consequence management system; if not, why not; if so, what are the relevant details;

(3) what (a) was the nature of the transgressions and (b) departments were guilty;

(4) what disciplinary actions have been taken against implicated officials who committed offences such (a) as irregular expenditure and the amounts thereof and (b) noncompliance with the law, regulations and documents, internal policies and procedures;

(5) what control system has been put in place to ensure proper record keeping in order to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting?

###### NW110E

**REPLY:**

(1) (a) Material misstatements of receivables, payables, immovable tangible assets, and commitments identified by the auditors in the submitted financial statement were corrected. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the irregular expenditure disclosed in the financial statements was caused by contravention of procurement processes. Some of the contracts were awarded to suppliers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by treasury regulation 16A9.1(d). Some of the 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. Some of the goods and services of a transaction value above R500 000 were procured without inviting competitive bids, or deviations were approved by the accounting officer, but it was practical to invite competitive bids.

(b) The Department has a Loss Control Committee which will investigate and determine if there are any officials accountable. Subsequently, appropriate measures in line with the labour relations prescripts will be applied.

(2) The labour relations directives and prescripts have prescribed timelines on dealing with consequence management once accountability issues have been dealt with and

determined.

(3) (a) Non-compliance with the prescripts such as Public Financial Management Act no.1 of 1999, National Treasury Instruction note 3 of 2016/2017, Departmental Policy and SARS requirements;

(b) Departments that were guilty are as follows:

|  |  |
| --- | --- |
| 1. Nature of Transgression | 1. Guilty Department |
| AGSA had indicated that the transaction did not meet the definition of emergency procurement in terms of National Treasury prescripts. Management should have requested pre-approval from National Treasury. The service was to render emergency support services to Project Management Office (PMO) during Covid-19. | Supply Chain Management |
| AGSA had indicated that the transaction did not meet the definition of emergency procurement in terms of National Treasury prescripts. Management should have requested pre-approval from National Treasury. The service was to investigate an urgent transaction on expenditure that was deemed irregular. | Supply Chain Management |
| AGSA had indicated that the transaction was Non-compliant with Local production and content for designated sector and noncompliance with tax requirements on foreign procurement. The services were for emergency procurement of vaccines for the country. | Affordable Medicines |
| AGSA had indicated that the services were rendered outside the approved period without sourcing the necessary approval from the accounting officer / delegated official / approving authority such as National Treasury. | Workforce Management |
| The service was for rendering of strategic communication services for NHI and emergency communication for Covid-19: Non adherence with SCM processes and National Treasury prescripts on emergency procurement. | NHI and Communication |

1. (a) Other cases have been sent for assessment in terms of the Irregular Expenditure Framework as published by National Treasury, dated 16 May 2019 to determine whether the transactions are indeed irregular or not. Some of these transactions have been sent to the Office of the Accountant-General to determine if indeed the findings of AGSA are valid or not in terms of the Mechanism for Resolving Disagreement Between the Auditor (AGSA) and Auditee dated 01 June 2021, the auditee in this cases is (NDOH). Some of the officials implicated in the cases mentioned had been suspended and disciplinary hearings are underway/ in progress.

Below is the table indicating all transactions declared irregular by AGSA in terms of NDOH Final Management Letter. The table below provide details in so far as question 4(a) is concerned on the nature, the amount and the status.

| **Nature of the services** | **Amount** | **Status on Disci­plina­ry Action** | **Non-compliance with the law, regulations and documents, internal po­li­cies and proce­dures** |
| --- | --- | --- | --- |
| According to AGSA, the transaction did not meet the definition of emer­gen­cy procurement in terms of National Treasury prescripts. Management should have requested pre-approval from National Treasury. The service was to render emergency support services to PMO during Covid-19. | R14 671 755 | Referred to NT to mediate between AGSA and NDOH to determine if transaction are irregular. | Non-compliance with NT instruction note. |
| According to AGSA, the transaction did not meet the definition of emer­gen­cy procurement in terms of National Treasury prescripts. Management should have requested pre-approval from National Treasury. The service was to investigate an urgent transaction on expenditure that was deemed irregular. | R592 250 | Referred to NT to mediate between AGSA and NDOH to determine if transactions are irregular. | Non-compliance with NT instruction note. |
| Non-compliance with Local production and content for designated sector and non-compliance with tax requirements on foreign procurement. The service was for emergency procurement of vaccines for the country. | R4 350 502 | Referred for assessments to determine if the transgression is non-compliance or irregular. | Non-compliance with SARS requirements |
| Services were rendered outside the approved period without sourcing the necessary approval from the accounting officer / delegated official /approving authority such as National Treasury. | R14 984 000 | Referred for assessments to determine if the transgression is non-compliance or irregular. | Non-compliance with NT instruction note. |
| The service was for rendering of strategic communication services for NHI and emergency communication for Covid-19: Non adherence with SCM processed and National Treasury prescripts on emergency procurement. | R150 000 000 | Disciplinary hearings are currently in emotion. | Non-compliance with NT Instruction. |

(b) The status above encompasses both non-compliance and irregular expenditure.

(5) The National Department of Health developed and implemented the online National Quarterly Reporting System (NQRS) in 2017 to ensure quarterly progress on the Annual Performance Plan (APP) is tracked and on-line evidence storage. The system tracks progress towards attaining the objectives and targets set in the APP, highlighting achievements, deviations, factors enhancing or inhibiting progress, as well as corrective action when targets are not achieved. The Portfolio of Evidence for reported performance is uploaded on the online NQRS to support indicator performance reports. By Day 6 of the reporting month, the Quarterly Performance Information is captured and signed-off by Directors/Cluster Managers together with the Portfolio of Evidence which is uploaded on the online NQRS. The Quarterly Performance on APP targets is reviewed and signed off by Branch Managers. The Internal Audit Unit of the National Department of Health reviews the Performance Information and supporting evidence every quarter and reports to the Audit and Risk Committee. The primary objective is to review reported Performance Information against the Portfolio of Evidence and provide feedback to the Department to address any shortcomings identified. The NQRS system provides a single online storage for all Performance Information updated during quarterly reporting which is also used by Auditor General for auditing purposes

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