# NATIONAL ASSEMBLY

**FOR WRITTEN REPLY**

**QUESTION NO. 1413**

**DATE OF PUBLICATION IN INTERNAL QUESTION PAPER: 01 NOVEMBER 2019**

**(INTERNAL QUESTION PAPER NO. 23)**

**Ms H Ismail (DA) to ask the Minister of Health:**

(a) What is the total number of key vacancies at the National Health Laboratory Service that were not filled, (b) what are the details of the (i) irregular expenditure and (ii) material irregularities incurred by the entity for the previous financial year and (c) how is his department ensuring that the entity’s (i) expenditure and (ii) procurement processes are in line with applicable legislation?

**NW2629E**

###### REPLY:

1. 297
2. (i) Irregular expenditure

|  |  |
| --- | --- |
| **IRREGULAR SPEND** | **2018/19 (R’000s)** |
| **Opening balance** | **4 445 560** |
| This relates to expenditure on valid contracts that expired. This relates mostly to reagents and consumables | 1 690 132 |
| In terms of the NHLS Delegations of Authority, the Board needs to approve all contracts with a value of more than R10 million. The previous CEO and CFO was found guilty of entering contracts for more than R10 million which they were not allowed to do in terms of their delegated authority | 104 770 |
| In certain instances, goods were procured without any tender procedures being followed. This relates to items that NHLS classify as “catalogue” items. It is a practice that originated many years ago, but that the new management only became aware of in the last year. Processes are underway to correct this | 800 671 |
| In certain instances, the contract value that was approved had been exceeded by more than the allowed 15%. This relates mostly to reagents where there was an unanticipated spike in the number of tests that needed to be performed | 361 810 |
| Although evidence exist of a valid tender process and award, the actual contract confirming the award could not be found. It relates to one contract only | 19 470 |
| Cases were found where expenditure was incurred after the award of a tender but before the actual contract was signed (normally due to the urgency of the situation). Standard contract wording has now been changed to prevent this from recurring | 18 282 |
| In one Region, the Manager authorized several separate tenders for the same product on the same day. This was erroneously done in an effort to allocate the expenses easier to various cost centers. Procedures have been put in place to prevent this from happening again  | 1 707 |
| **Less: Amount Condoned** | **-2 310 258** |
| **Total** | **5 132 144** |

(ii) None

(c) (i) The Department has put in place the following mechanism to ensure that expenditure is in line with applicable legislation:

* The Minister has approved the NHLS Materiality and Significance Framework in terms of Sections 50 and 55 of the PFMA and Treasury Regulation 28.3, which define significant, material and parameters of transaction that the institution is authorised to approve. The purpose of the Framework is to regulate the disclosure of material facts by public entities to the Executive Authority. This includes information to be provided in terms of the Annual Report and financial statements, as well as requests for approval from the Minister to participate in certain significant transactions, and
* The Department monitors NHLS’s budget on a quarterly basis to ensure that the actual expenditure is aligned to the budget.

(ii)The Department has put in place a mechanism to ensure that the NHLS report on quarterly basis on the level of compliance to the PFMA which includes the following:

* Ensuring that NHLS has a delegation of authority that define powers entrusted or delegated to officials within the organisation,
* Ensuring that NHLS takes appropriate disciplinary steps against employees who have made or permitted irregular or fruitless and wasteful expenditure,
* Ensuring that NHLS has an appropriate procurement and provisioning administration system, which is fair, equitable, transparent, competitive and cost-effective, and

Ensuring that NHLS has mechanisms in place to prevent irregular, fruitless, and wasteful expenditure.

END.