



**2022 – 23**

**SCOPA Briefing document**

**Gauteng Department of Health and Gauteng Medical Supplies  
Depot**



**AUDITOR - GENERAL  
SOUTH AFRICA**

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## 1. Introduction

### 1.1 Mission of the Auditor-General of South Africa

The Auditor-General has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability, and governance in the public sector through auditing, thereby building public confidence.

### 1.2 Vision of the Auditor-General of South Africa

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

### 1.3 Purpose of document

The purpose of this briefing document is for the Auditor-General of South Africa (AGSA) to provide an overview of the audit outcomes and related matters concerning the portfolio for the 2022/23 financial year.

### 1.4 Brief overview of the department

The mandate of the department is derived from the Constitution, the National Health Act and other legislation promulgated by Parliament. The Department's core mandate is to:






- Improve the health status of the population
- Improve health services
- Secure better value for money
- Ensure effective organisation
- Provide integrated services and programmes that promote and protect health
- Assist with ensuring good quality and sustainable livelihoods for the poor, vulnerable and marginalised groups in society.

Medical Supplies Depot (MSD) is mandated to manage the supply of pharmaceuticals to all provincial health institutions and facilities in Gauteng. As such the MSD is responsible for the effective and efficient procurement, quality testing, warehousing and distribution of medicines and ensures that Essential Medicine list (EML) medicines are available to all provincial health institutions and facilities, at all times.

## 2. Audit opinion history

Gauteng Department of Health					
	2022-23	2021-22	2020-21	2019-20	2018-19
<b>Audit opinions</b>	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings

Gauteng Medical Supplies Depot					
	2022-23	2021-22	2020-21	2019-20	2018-19
<b>Audit opinions</b>	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings

AUDIT OPINION INDEX	
	CLEAN AUDIT OPINION: No findings on PDO and compliance
	UNQUALIFIED with findings on PDO and compliance
	QUALIFIED AUDIT OPINION (with/without findings)
	ADVERSE AUDIT OPINION
	DISCLAIMER AUDIT OPINION

### Auditee: Gauteng Department of Health

The audit outcomes for the Gauteng Department of Health has remained stagnant with an unqualified audit opinion on the financial statements and findings on predetermined objectives and non-compliance with laws and regulations:

Gauteng Department of Health					
DESCRIPTION	2022-23	2021-22	2020-21	2019-20	2018-19
<b>A: Report on the audit of the financial statements</b>					
<b>Audit opinions</b>	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings
<b>Emphasis of matter:</b>					
<i>Material uncertainty relating to contingencies/litigations</i>	X	X	X	X	X
<i>Restatement of corresponding figures</i>	X	N/A	N/A	X	N/A

Gauteng Department of Health					
DESCRIPTION	2022-23	2021-22	2020-21	2019-20	2018-19
<b>A: Report on the audit of the financial statements</b>					
<b>Audit opinions</b>	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings
Material losses – accrued departmental revenue	X	N/A	N/A	X	N/A
Material impairment - accrued departmental revenue	X	X	N/A	N/A	N/A
Underspending of the vote	X	X	N/A	N/A	X
Payables which exceeded voted funds to be surrendered	X	X	X	N/A	X
Subsequent events	N/A	N/A	X	X	N/A
<b>B: Report on predetermined objectives</b>					
Reliability	X	X	X	X	X
Adjustment of material misstatement	X	N/A	N/A	N/A	N/A
<b>C: Compliance with specific laws and regulations</b>					
Financial statements, performance report and annual report	X	N/A	N/A	X	X
Procurement and contract management	X	X	X	X	X
Expenditure management	X	X	X	X	X
Strategic Planning and performance management	X	X	X	X	X
Consequence management	X	X	X	X	X
Revenue management	X	X	N/A	N/A	X
Asset management	X	N/A	N/A	N/A	N/A
Conditional grants	N/A	N/A	N/A	N/A	X

Gauteng Department of Health					
DESCRIPTION	2022-23	2021-22	2020-21	2019-20	2018-19
<b>A: Report on the audit of the financial statements</b>					
<b>Audit opinions</b>	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings
<i>Transfer of funds</i>	X	X	N/A	N/A	N/A

## Auditee: Gauteng Medical Supplies Depot

The audit outcomes for the Gauteng Medical Supplies Depot has remained stagnant with an unqualified audit opinion on the financial statements and material non-compliance findings:

Gauteng Medical Supplies Depot					
DESCRIPTION	2022-23	2021-22	2020-21	2019-20	2018-19
<b>A: Report on the audit of the financial statements</b>					
<b>Audit opinions</b>	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings
<b>B: Report on predetermined objectives</b>					
<i>Annual Performance Report</i>	N/A	N/A	X	N/A	N/A
<b>C: Compliance with specific laws and regulations</b>					
<i>Procurement and contract management</i>	X	X	X	X	X
<i>Consequence management</i>	X	X	X	X	X
<i>Expenditure management</i>	X	X	X	X	X
<i>Financial statements, annual report</i>	N/A	X	N/A	N/A	N/A

## 2.1 Uncertainty relating to the going concern and any other significant emphasis of matter

### Auditee: Gauteng Department of Health

The **following emphasis of matter paragraphs** were included in the audit report of the department on their annual financial statements for the 2022-23 financial year-end that we would like to highlight to the committee.

Finding	Root cause	Recommendation
<p><b>Restatement of corresponding figures</b> As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2022 were restated as a result of errors in the financial statements of the department at, and for the year ended, 31 March 2023.</p>	<ul style="list-style-type: none"> <li>• Lack of an integrated accounting systems to account for secondary disclosure items</li> <li>• Inadequate preventative controls</li> <li>• The misstatement on contingent liabilities is due to processes undertaken by the department to clean the related litigation registers and lack of reconciliation with prior year's registers.</li> <li>• The misstatement on movable tangible capital assets is due to inadequate processes relating to the verification of assets at various institutions and lack of co-ordination between institutions and Head-office in relation to reconciliations and capturing of information timeously</li> </ul>	<p>Strengthening the control environment around asset management to institutionalise regular verification and reconciliation of movable, immovable and intangible assets.</p> <p>Verification of all medico legal claims through obtaining a legal confirmation from the State Attorney's office.</p>
<p><b>Material uncertainties relating to litigations</b> With reference to note 18 to the financial statements, the department is the defendant in various lawsuits. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result was made in the financial statements.</p>	<p>The department is continuously exposed to the risk of litigation emanating from medical negligence during its daily functioning. There is lack of sufficient funds to settle the court orders due to</p>	<p>Full implementation of the health information system (HIS) at all institutions to assist in maintaining patient records that are easily retrievable</p> <p>Utilisation of a case management system to</p>



Finding	Root cause	Recommendation
	the department not budgeting for lawsuits, which then results in the accumulation of interest on outstanding court orders settlements.	track all legal claims and assess progress.
<p><b>Material losses - accrued departmental revenue</b></p> <p>As disclosed in note 23.2 to the financial statements, material losses of R3 088 243 00 were incurred as a result of a write-off of irrecoverable accrued departmental revenue.</p>	<p>Failure to implement the Health Information System (HIS) within timelines. Functionality to pre-populate patient demographic information from HPRS integration was not working. Medikredit automatic interface which allowed the download of medical aid bills stopped functioning in October 2022 forcing the department to revert to manual processes resulting in:</p> <ul style="list-style-type: none"> <li>-Challenges in tracing foreign patients without valid documents</li> <li>- Self paying patients not providing valid documentation</li> <li>- Rejected RAF claims due to insufficient documentation</li> <li>- Rejected medical aid accounts due to insufficient information and funds</li> <li>- Economic hardship</li> </ul>	<p>-Full implementation of the health information system (HIS) at all institutions that will enable effective management of patient registration, verification, billing and recovery of patient debts.</p>
<p><b>Underspending of the vote</b></p> <p>As disclosed in the appropriation statement, the department materially underspent the budget by R1 227 988 000 on programme 2: District health services.</p>	<p>District Health Services: The underspending occurred because of delays in reconciliation of National Health Laboratory Service (NHLS)</p>	<p>-Regular reconciliation of NHLS claims to expedite payments.</p> <p>-Capacitation of the accounting department</p>





Finding	Root cause	Recommendation
	claims. Roll-over of funds was applied for.	
<p><b>Payables which exceeded voted funds to be surrendered</b></p> <p>As disclosed in note 20.2 to the financial statements, payables of R4 204 934 000 exceeded the payment term of 30 days, as required by treasury regulation 8.2.3. This amount, in turn, exceeded the R2 711 816 000 of voted funds to be surrendered, by R1 493 118 000 as per the statement of financial performance. Therefore, the amount of R1 493 118 000 would have constituted unauthorised expenditure had the amounts due been paid in time.</p>	<p>Legacy accruals impacting on the budget availability, cash management and procurement. Accruals and payables not yet recognised older than 30 days amounted to 71% of total Accruals and payables at 31 March 2023</p>	<ul style="list-style-type: none"> <li>- Performing a clean-up exercise of all legacy accruals</li> <li>- Investigation of all legacy accruals prior to payment</li> <li>- Adherence to procurement plans</li> <li>- Strict monitoring of procurement within the approved budget of the department</li> <li>- Daily and weekly monitoring of outstanding payments</li> </ul>

## 2.2 Report on the audit of compliance with legislation

### Auditee: Gauteng Department of Health

Finding	Root cause	Impact and recommendation
<p><b>Annual financial statements (Gauteng Department of Health)</b></p> <p>The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 40(1)(a) of the PFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified opinion.</p>	<p>Senior management did not adequately review annual financial statements:</p> <p>The misstatement on contingent liabilities is due to processes undertaken by the department to clean the related litigation registers and lack of reconciliation with prior year's registers.</p> <p>The misstatement on movable tangible capital assets is due to inadequate processes relating to the verification of assets at various institutions and lack of co-ordination between institutions and Head-office in relation to</p>	<p><b>Impact</b></p> <p>Financial performance and service delivery</p> <ul style="list-style-type: none"> <li>- The inability of the department to maintain effective and efficient processes for the safeguarding of the assets has an impact on the ability of the institutions to deliver health care services to the users.</li> <li>- Accountability – The department's lack of accountability arising from</li> </ul>



Finding	Root cause	Impact and recommendation
	<p>reconciliations and capturing of information timeously.</p>	<p>inadequate oversight provided in relation to reliable accounting of contingent liabilities negatively affecting the department's budgeting process and to adequately respond to the health care needs of those its service.</p> <p><b>Recommendation</b></p> <p>Senior management should review annual financial statements adequately.</p>
<p><b>Procurement and contract management (Gauteng Department of Health)</b></p> <p>Some of the goods and services of a transaction value above R1 000 000 were procured without inviting competitive bids, as required by Treasury Regulation 16A6.1 and paragraph 3.3.1 of NTI 02 of 2021/22. Similar non-compliance was also reported in the prior year.</p> <p>Procurement by other means was not provided for in the department's SCM policy or did not cover at least the minimum requirements as required by PFMA Instruction Note 3 of 2021/22 paragraphs 4.3 and 4.4.</p> <p>Some of the deviations and procurement by other means are not provided for in the SCM policy and are not in line with the circumstances provided for in the SCM policy under which the procurement can occur, as required by PFMA instruction note</p>	<p>The accounting officer did not exercise adequate oversight responsibility over internal controls relating to procurement and contract management to prevent non-compliance with legislation.</p> <p>Senior management did not implement sufficient controls to monitor compliance with legislation.</p> <p>There is a lack of monitoring of procurement processes at head office and institutions.</p>	<p><b>Impact</b></p> <p>Non-compliance with Section 38 of the PFMA resulting in irregular expenditure.</p> <p><b>Recommendation</b></p> <p>Monitor compliance with the applicable treasury regulations to identify and prevent non-compliance.</p> <p>Training and upskilling of officials, including bid committee members.</p> <p>Timeous investigation and implementation of recommendations on irregular expenditure incurred.</p> <p>Implementation of consequence management</p> <p>Monitoring of institutional procurement</p>



Finding	Root cause	Impact and recommendation
<p>no. 3 of 2021/22 paragraphs 4.3 and 4.4(c).</p> <p>Some of the deviation processes followed in respect of identifying prospective suppliers are not in line with the processes prescribed in the institution's SCM policy, as required by PFMA instruction note no. 3 of 2021/22 paragraph 4.4(d).</p> <p>Invitations to tender for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 Procurement Regulation 8(2).</p> <p>Commodities designated for local content and production were procured from suppliers who did not submit a declaration on local production and content in accordance with paragraph 3.4 of National Treasury Instruction Note 4 of 2015/2016.</p> <p>Commodities designated for local content and production were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 Preferential Procurement Regulation 8(5).</p> <p>Some of the quotations were not awarded in an economical manner and the prices of the goods or services were not reasonable, as required by PFMA 38(1)(b) and PFMA 45(b).</p>		

Finding	Root cause	Impact and recommendation
<p>Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of PPPFA and Preferential Procurement Regulation 2017.</p> <p>Some of the goods and services were procured without obtaining at least three written price quotations in accordance with Treasury Regulation 16A6.1, paragraph 3.3.1 of Practice Note 8 of 2007/08 and paragraph 3.2.1 of SCM Instruction Note 2 of 2021/22.</p> <p>Some of the goods and services of a transaction value of R2 000 but not exceeding R1 000 000 were procured without following quotation process and deviations were not approved by the accounting officer, and it was practical to follow quotation process, as required by Treasury Regulation 16A6.1 and paragraph 3.2.1 of NTI 02 of 2021/22 and TR 16A6.4.</p>		
<p><b>Expenditure management</b></p> <p>Effective and appropriate steps were not taken to prevent irregular expenditure, as disclosed in note 24 to the 6+annual financial statements, 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 the department's failure to invite competitive bids.</p>	<p>Non-compliance with legislation could have been prevented had procurement processes not adequately reviewed and monitored.</p>	<p><b>Impact</b></p> <p>Stagnation in the creditors' payment period (109 days) due to legacy accruals and payables.</p> <p>This department continues to struggle to settle its obligations within the prescribed timeframe impacting negatively on its ability to execute on its mandate</p>



Finding	Root cause	Impact and recommendation
<p>Effective steps were not taken to prevent fruitless and wasteful expenditure, as disclosed in note 24 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the fruitless and wasteful expenditure was caused by interest on late settlement of invoices.</p> <p>Payments were not made within 30 days or an agreed period after receipt of an invoice, as required by treasury regulation 8.2.3.</p>		<p><b>Recommendation</b></p> <p>Effective monitoring of the budget and expenditure process. Additional checks on the payment approval process.</p>
<p><b>Consequence management</b></p> <p>Disciplinary steps were not taken against the officials who had permitted irregular expenditure, as required by section 38(1)(h)(iii) of the PFMA.</p>	<p>The lack of appropriate and timely consequence management at the department to hold relevant officials accountable also has an impact on compliance management.</p>	<p><b>Impact</b></p> <p>The lack of consequence management has a negative impact on compliance with laws and regulations as more issues were identified in the current year if compared to the previous financial year. This has a negative impact on the department's ability to deliver on its mandate</p> <p><b>Recommendation</b></p> <p>Investigations need to be initiated and the necessary consequence management instituted.</p>
<p><b>Asset Management</b></p> <p>Proper control systems were not in place at the department to ensure the safeguarding of assets, as required by treasury regulation 10.1.1(a).</p>	<p>The misstatement on movable tangible capital assets are due to inadequate processes relating to the verification of assets at various institutions and lack of co-ordination between institutions and Head-office in relation to</p>	<p><b>Impact</b></p> <p>The inability of the department to maintain effective and efficient processes over the safeguarding of the assets has an impact of the ability of the health institution to</p>

Finding	Root cause	Impact and recommendation
	<p>reconciliations and capturing of information timeously.</p>	<p>deliver health services to those who need them.</p> <p>The department's lack of accountability arising from inadequate oversight provided in relation to the safeguarding of assets prevents the department from adequately responding to the needs of those it provides health services to.</p> <p><b>Recommendation</b></p> <p>Management should perform quarterly reconciliations and physical verifications on assets for each facility to ensure that the fixed asset register is regularly updated with accurate and complete data.</p> <p>Regular engagements should take place between Institution and Head-office officials through established forums to ensure that there is timeous update to the consolidated fixed asset register with all the assets activities at the individual institutions.</p> <p>The department needs to have a reliable asset management system that will assist in resolving the current challenges.</p>
<p><b>Strategic planning and performance management</b></p> <p>Specific information systems were not implemented to enable the monitoring of progress made</p>	<p>Daily and monthly processing and reconciling controls not implemented consistently and</p>	<p><b>Impact</b></p> <p>The lack of credible performance information severely impacts the ability of the department and the</p>



Finding	Root cause	Impact and recommendation
<p>towards achieving targets, core objectives and service delivery as required by public service regulation 25(1)(e)(i) and (iii).</p>	<p>where implemented, the controls were not effective.</p> <p>Weaknesses in internal controls were identified relating to records management which contributed to management's failure to easily locate, and retrieve requested medical records to support reported performance information. Scope limitation was still prevalent in the environment.</p> <p>Inadequate implementation of action plans over senior management and administrative staff to curb reoccurrence of repeat findings in the audit of performance information.</p>	<p>role players in the extended accountability ecosystem to perform management, accountability, oversight, and governance functions.</p> <p>Unreliable performance reporting negatively impacts the department's messaging around service delivery performance and hinders the department from adequately measuring performance progress made against set targets and strategic priorities. Decisions relating to the deployment of resources, grants allocation and setting of targets to ensure realisation of targets in the MTSF and NDP are negatively affected.</p> <p><b>Recommendation</b></p> <p>The accounting officer should enforce effective implementation of action plans to curb repeat findings in the audit of performance information.</p> <p>Management should ensure that daily and monthly processing and reconciling controls of reported achievement are implemented and regularly monitored.</p> <p>Management should ensure that requested information is provided for audit to validate accuracy and completeness of reported achievements.</p>

Finding	Root cause	Impact and recommendation
		Management should improve controls around records management.

## Auditee: Medical supplies depot

Finding	Root cause	Impact and recommendation
<p><b>Procurement and contract management (Medical Supplies Depot)</b></p> <p>Goods and services of a transaction value above R1 000 000 were procured without inviting competitive bids and deviations were approved by the accounting officer but it was practical to invite competitive bids, as required by Treasury Regulation 16A6.1, paragraph 3.3.1 of NTI 02 of 2021/22, paragraph 4.1 of NTI 03 of 2021/22 and TR 16A6.4. Similar non-compliance was also reported in the prior year.</p>	<p>Senior management did not adequately review annual financial statements.</p>	<p><b>Impact</b></p> <p>Lack of accountability and consequence management</p> <p><b>Recommendation</b></p> <p>Monitor compliance with the applicable treasury regulations to identify and prevent non-compliance.</p> <p>The department must initiate the procurement of services at least six months to a year before the existing contracts expire to avoid month to month extensions and ensure compliance with PFMA SCM instruction no. 02 of 2021/22 paragraph 3.3.1.</p>
<p><b>Expenditure management (Medical Supplies Depot)</b></p> <p>Effective and appropriate steps were not taken to prevent irregular expenditure, as disclosed in note 19 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the irregular expenditure was caused by non-compliance with supply chain</p>	<p>The accounting officer did not adequately exercise oversight responsibility to ensure that irregular expenditure is prevented</p> <p>Management did not implement proper controls over monitoring of payment terms to ensure compliance with applicable laws and regulations regarding the payment of suppliers within 30 days of receipt of the relevant invoice.</p>	<p>Training and upskilling of officials to be made aware of all the applicable laws and regulations that need to be complied with.</p> <p>The accounting officer should implement consequence management for officials who have contravened the laws and regulations</p>





Finding	Root cause	Impact and recommendation
<p>management regulation on contract extension.</p> <p>Payments were not made within 30 days or an agreed period after receipt of an invoice, as required by treasury regulation 8.2.3.</p>		<p>Management should improve the effectiveness of controls in place to monitor payments so that suppliers are paid within 30 days of receipt of the invoices as required by TR8.2.3</p>
<p><b>Consequence management (Medical Supplies Depot)</b></p> <p>I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular and fruitless and wasteful expenditure as required by section 38(1)(h)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular and fruitless and wasteful expenditure.</p> <p>I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against the officials who had incurred or permitted irregular expenditure in prior years, as required by section 38(1)(h)(iii) of the PFMA.</p> <p>I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against the officials who had incurred or permitted fruitless and wasteful expenditure in prior years, as required by section 38(1)(h)(iii) of the PFMA.</p>	<p>The accounting officer did not take reasonable steps to ensure compliance with sections 38(1)(h)(iii) of the PFMA, by ensuring that investigations for instances identified for irregular and fruitless and wasteful expenditure are investigated timeously in order to determine if disciplinary steps need to be taken against officials who have permitted expenditure.</p> <p>The accounting officer did not take reasonable steps to ensure compliance with sections 38(1)(h)(iii) of the PFMA, by ensuring that disciplinary steps are taken against liable officials who have permitted irregular, fruitless, and wasteful expenditure following the recommendations of the forensic investigation report (i.e. nexus forensic report).</p>	<p>Investigations on irregular and fruitless and wasteful expenditure should be performed timeously in order to determine if disciplinary steps need to be taken against officials who have permitted the expenditure as contemplated in sections 38(1)(h)(iii)</p> <p>The accounting officer should provide oversight responsibility by taking disciplinary steps against liable official who have permitted irregular and fruitless and wasteful expenditure as required by sections 38(1)(h)(iii), following the recommendations of the forensic investigation report (i.e. nexus forensic report)</p>

## 2.3 Audit of pre-determined objectives

In terms of predetermined objectives, the respective auditees should address the audit findings on predetermined objectives by ensuring that internal controls pertaining to the supporting evidence supporting the achievements are valid, accurate and complete.

### Auditee: Gauteng Department of Health

We selected the following programmes:

- Programme 2: District Health Services
- Programme 4: Provincial Hospital- Services
- Programme 8: Health Facilities Management

Programme	Number of indicators planned	Number of indicators not achieved	Reasons for non-achievement
District Health Services	51	25	<p><b><u>Health workforce:</u></b> High patient: low nurse/doctor ratio</p> <p><b><u>Health information system:</u></b> No appropriate patient and clinical electronic information registry</p> <p><b><u>Health system financing:</u></b> No dedicated funding for maternal and child health although it is a priority</p> <p><b><u>Medical products, vaccines, and technologies:</u></b> Lack of appropriate medical equipment</p>
Provincial Hospital Services	17	12	<p><b><u>Health workforce:</u></b> High patient: low nurse/doctor ratio</p> <p><b><u>Health information system:</u></b> No appropriate patient and clinical electronic information registry</p> <p><b><u>Medical products, vaccines, and technologies:</u></b> Lack of appropriate medical equipment</p>
Health Facilities Management	3	3	<p>Target not achieved:</p> <ul style="list-style-type: none"> <li>- Chris Hani Bara (CHBAH) Emergency repairs was at 95%</li> <li>- - HB Forensic Pathology Laboratory at 71% because Professional Service Providers contract was terminated.</li> <li>- Helen Joseph Nurses Residence refurbishment between</li> </ul>



Programme	Number of indicators planned	Number of indicators not achieved	Reasons for non-achievement
			<p>51% – 75% because of contractor's lack of access to one of the buildings.</p> <ul style="list-style-type: none"> <li>- Radiation Oncology Unit from Charlotte Maxeke (CMJAH) and Mental Health wards in CMJAH and CHBAH were completed during 2021/22.</li> <li>- The projects were put on hold and were given to Gauteng Infrastructure Financing Agency (GIFA) for Public Private Partnership (PPP) funding.</li> </ul>

## *Audit issues identified: Programme 2 (Reliability)*

Some supporting evidence was not provided for auditing; and, where it was, we identified material differences between the actual and reported achievements. Consequently, the achievements might be more, or less, than reported and were not reliable for determining if the targets had been achieved.

## *Audit issues identified: Programme 4 (Reliability)*

Some supporting evidence was not provided for auditing; and, where it was, we identified material differences between the actual and reported achievements. Consequently, the achievements might be more, or less, than reported and were not reliable for determining if the targets had been achieved.

## *Audit issues identified: Programme 8 (Reliability)*

The reported target was based on a cumulative basis instead of annual achievement, which is non-cumulative. Reported performance achievement not accurately recorded as the achievement was Nil for the period under review.

## *Proactive Review of APP 23-24*

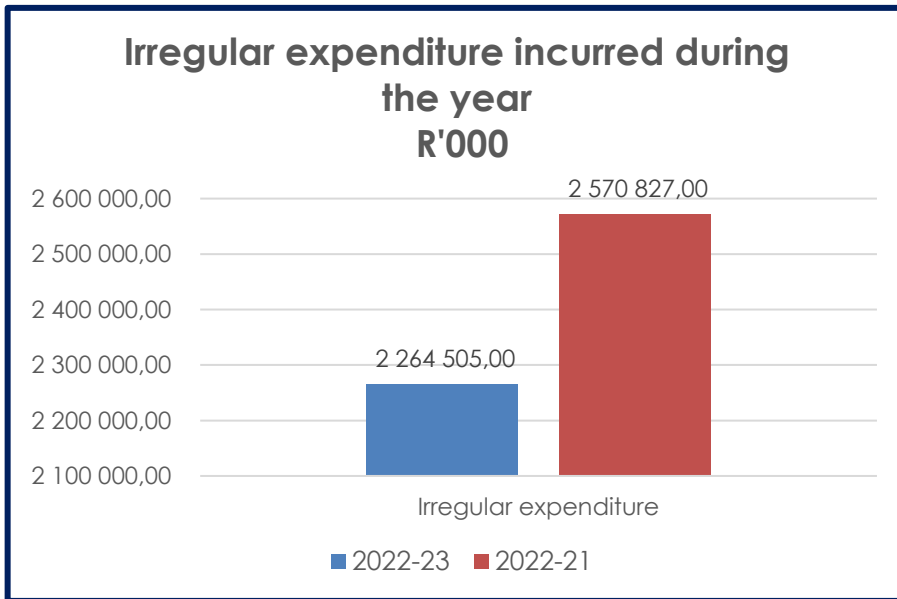
We did not identify material shortcomings in the draft annual performance plan for 23-24

## 2.4 Irregular expenditure, Fruitless and wasteful expenditure, and consequence management

### 2.4.1 Irregular Expenditure

#### Auditee: Gauteng Department of Health

The department has incurred the following irregular expenditure:



#### Nature of irregular expenditure: Breakdown

Nature	R'000
Consignment stock	602 474
Security (expired contracts)	605 396
Nursing agencies	302 577
Mental health	319 725

The AGSA raised a further R442 000 000 as irregular expenditure which is included as matters under assessment. The department has three months to perform the assessment and report accordingly.

## What can be done to prevent and rectify IE?

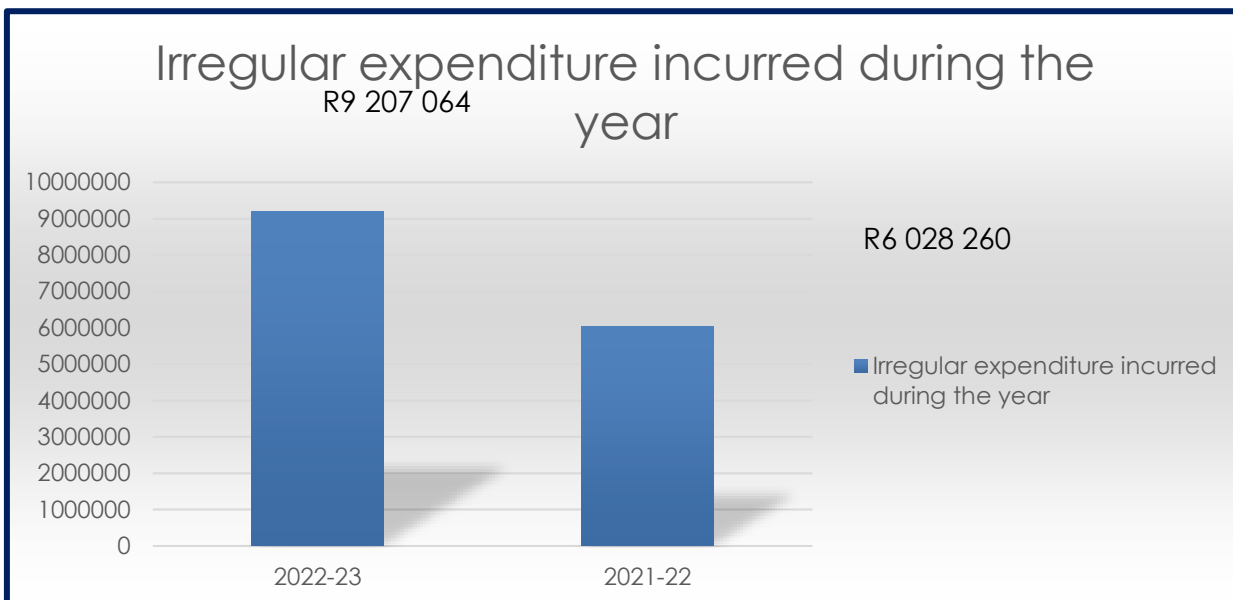
Senior management need to monitor compliance with Treasury regulations and SCM legislation to prevent material non-compliance.

Upskilling and training of staff members involved in the procurement process including the bid committee members.

The AO need to investigate all instances of Irregular expenditure. Once the investigation has been completed the AO need to implement consequence management and based on the outcome of the investigation recover from responsible officials.

### Auditee: Gauteng Medical Supplies Depot

The Medical Supplies Depot has incurred the following irregular expenditure:



### Nature of irregular expenditure: Breakdown

Nature	R000
Distribution services – month to month	3 086
Security services – month to month	3 480
Cleaning services – month to month	494
Waste management services – month to month	2
Nexus report – irregular appointment	2 145

## What can be done to prevent and rectify IE?

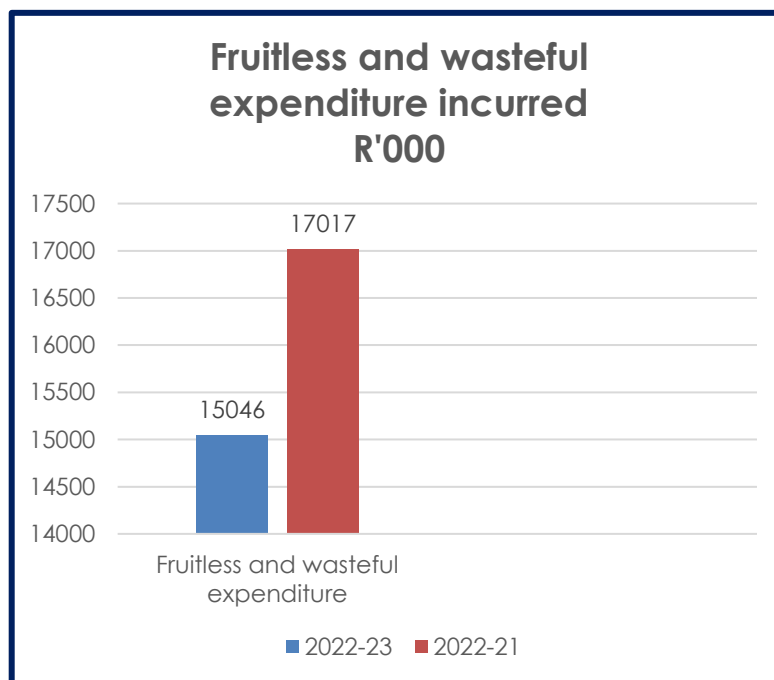
Senior management must monitor compliance with the Treasury regulations and SCM legislation to prevent material non-compliance and exercise effective consequence.

The AO need to investigate all instances of Irregular expenditure. Once the investigation has been completed the AO need to implement consequence management and based on the outcome of the investigation recover from responsible officials.

## 2.4.2 Fruitless and wasteful expenditure

### Auditee: Gauteng Department of Health

The department has incurred the following irregular expenditure and fruitless and wasteful expenditure:



### Nature of fruitless and wasteful expenditure

- Interest paid on late settlements of medico-legal claims and;
- Department of Infrastructure Development (DID) projects: R 15 046 000.

## Auditee: Gauteng Medical Supplies Depot

### Fruitless and wasteful expenditure

No fruitless and wasteful expenditure

## 2.4.3 Irregular expenditure and related consequence management

### Auditee: Gauteng Department of Health

The major contributors in the irregular expenditure in the current year is depicted below

Award	Movement	Amount R'000 2022/23	Amount R'000 2021/22	Root cause / Key internal control deficiency	Consequence management and status of investigations conducted
Expired contracts Consignment stock Nursing Security Cleaning	Decrease	1 524 641	1 886 348	Procurement processes not followed. The irregular expenditure will continue until the contract will end	No consequence management and no investigations conducted.

### Auditee: Gauteng Medical Supplies Depot

The major contributors in the irregular expenditure in the current year is depicted below:

Award	Movement	Amount R'000 2022/23	Amount R'000 2021/22	Root cause / Key internal control deficiency	Consequence management and status of investigations conducted
Expired contracts Distribution services – month to month Security services – month to month Cleaning services – month to month	Increase	7 060	1 722	Procurement processes not followed. The irregular expenditure will continue until the contract will end	No consequence management and no investigations conducted.

## 2.4.4 Fruitless and wasteful expenditure and related consequence management

The major contributors in the portfolio for the increase in fruitless expenditure in the current year is depicted below:

Particulars	Fruitless and wasteful expenditure				Consequence management and status of investigations conducted
	Movement	Amount 2022/23 R'000	Amount 2021/22 R'000	Root cause / Key internal control deficiency	
Interest paid on municipal accounts, Eskom, litigations	Increase	15 046	17 017	Interest charged due to late payments by the department	No consequence management and no investigations conducted.



## 2.5 Material irregularities

### Implementation of material irregularity process

#### Material irregularity

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

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



**Refer material irregularities** to relevant public bodies for further investigations



**Recommend actions** to resolve material irregularities in audit report  
**Take binding remedial action** for failure to implement recommendations



**Issue certificate of debt** for failure to implement remedial action if financial loss was involved

The audit team identified the following material irregularities

MI short description	Nature	Actions taken	Status of MI
Inadequate performance management system to enable reliable reporting of performance information	Harm to a public sector institution	<ul style="list-style-type: none"> <li>Development and implementation of a provincial information system</li> <li>Capacitation of the Performance management unit as well as facilities</li> <li>Strict enforcement of daily and weekly validation by facility/institutional managers</li> <li>Focused monthly performance reviews to facilitate effective performance monitoring, evaluation, and corrective action</li> </ul>	AO actions are being tracked
Construction of a hospital facility at Kopanong hospital consisting of 300 intensive care unit beds units not completed	Financial loss	<ul style="list-style-type: none"> <li>Termination of contract on 15 January 2021.</li> <li>Technical inspection performed by DID on 22 November 2022.</li> <li>Conduct a conditional assessment and business case to determine if the repurposing of the facility makes economic sense.</li> <li>Develop a Service Delivery Agreement (SDA) as a tool to monitor monthly progress</li> </ul>	AO actions are being tracked

# SCOPA Briefing note

MI short description	Nature	Actions taken	Status of MI
		<p>Forensic investigation conducted to allow for disciplinary steps to be taken</p> <p>Suspension of implicated officials and related disciplinary processes as well as implementation of sanctions for both DID and GDoH officials</p>	
Salary payments made to doctors for work not done during the covid-19 period	Financial loss	<p>Supervisory and authorisation controls and procedures of transactions the Office of the Deputy Director-General: Corporate Services will manage such programmes in future.</p> <p>Suspension of three officials pending a full forensic investigation. Corrective Action will be taken as per the recommendations emanating from the investigation.</p> <p>The Department will engage the National Department of Health to assist in reclaiming the money from Cuba. The recovery will need to follow diplomatic channels through the Department of International Relations.</p>	AO actions are being tracked
500 intensive care unit beds facility at Chris Hani Baragwanath academic hospital not fully utilised	Misuse of a public resource	AO response overdue – due date was 11 October 2023	
300 intensive care unit beds facility at Dr George Mukhari academic hospital not fully utilised	Misuse of a public resource	AO response overdue – due date was 11 October 2023	

SCOPA is encouraged to follow up on implementation of actions especially overdue action



## 2.6 Key projects

**Project Name** - Mayibuye Clinic

### Observations

Finding
After the appointment of the contractor and handover of the site, it was found that the land/site for the clinic was not suitable.
Delays were noted on the project and the contractor was terminated
A site visit to the project confirmed that the project is not yet complete.
The security currently on site was recommended based on a report submitted, however the photos included on the report were not of Mayibuye Clinic and were for a more completed structure.
The contract value of the project was revised; however it could not be determined how this increase in the contract value was determined.
Some documentation was not in place for the project.

### Impact

The community does not currently have access to healthcare, which was to be provided at the new clinic, with overcrowding still being experienced at the existing clinic. Waiting times at the existing clinic also exceed the 180 minutes benchmark which is a potential risk to quality of care. Patients would also need to travel over 7km to the existing clinic to obtain the healthcare required.

**Project Name** – Randfontein Community Health Centre

### Observations

Finding
Delays were incurred in the implementation of the project.
A site visit to the project confirmed that the project is not yet complete.
There was no indication that the contractors all risk insurance had been renewed, to cover the period from 27 August 2020 to the current date of the contract.
Some documentation was not in place for the project.



## Impact

Because of the significant delays on the project, the community does not currently have access to healthcare, which was to be provided at the new community health Centre.

**Project Name** – Sebokeng Zone 17 Clinic

## Observations

Finding
Delays were incurred in the implementation of the project.
A site visit to the project confirmed that the project has reached completion with the contractor currently addressing defects.
During the inspection of the compensation events for the project, it was noted that there are instances of standing time which were granted to the contractor, which could have been avoided had proper planning and timely approvals been given by GDoH for the Eskom quotations.
However, there was no indication that the contractors all risk insurance had been renewed, to cover the period from 26 July 2018 to the end of the defect liability period.
Some documentation was not in place for the project.

## Impact

As a result of the delays on the project, the community had to wait a number of years for the clinic to be completed before they could access the healthcare which was to be provided at the new clinic.

## 2.7 Other matters (GR key message, APP reviews and achievements, turnaround strategy, and any other additional information)

### Auditee: Gauteng Department of Health

The overall audit outcome of the department is unqualified with findings. This is the same as the previous year's audit outcome.

The audit outcome on the audit of financial statements stagnated. Material misstatements were noted in the following financial statement areas:



- Movable Tangible Capital Assets – Major Assets
- Contingent liabilities

Audit outcomes for the audit of performance information have improved compared to prior year. This is due to management's efforts in ensuring that the requested information to support reported achievements is provided, although in some facilities visited limitations were raised. Where information was provided for audit, evidence materially differed to the reported achievements. As a result, an adverse audit opinion was issued for both scoped in programmes i.e., Programme 2 – District Health Services and Programme 4 – Provincial Hospital Services.

Programme 8 on health facilities management was audited for the first time during the financial period under review and an unqualified audit opinion was issued. This is after management made material adjustments relating to number of new primary health care centres completed performance indicator.

The department stagnated on compliance with laws and regulations with material findings reported in the audit report. The interventions by the department did not yield the desired results and the results remained unchanged for the past three years.

### **Auditee: Medical Supplies Depot**

The audit outcome for the Medical Supplies Depot has remained unchanged at unqualified with findings on compliance with laws and regulations.

## 2.8 Status of internal controls

### Auditee: Gauteng Department of Health

Drivers of internal control														
Entity	Leadership						Financial & performance management					Governance		Internal audit
	Effective leadership culture	Oversight responsibility-monitoring	HR management	Policies and procedures	Action plans	IT governance	Proper record-keeping	Processing and reconciling controls	Reporting	Compliance	IT systems controls	Risk management	Audit committee	
Gauteng Department of Health	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Yellow	Green	Green

### Auditee: Gauteng Medical Supplies Depot

Drivers of internal control														
Entity	Leadership						Financial & performance management					Governance		Internal audit
	Effective leadership culture	Oversight responsibility-monitoring	HR management	Policies and procedures	Action plans	IT governance	Proper record-keeping	Processing and reconciling controls	Reporting	Compliance	IT systems controls	Risk management	Audit committee	
Gauteng Medical Supplies Depot	Yellow	Red	Yellow	Yellow	Red	Yellow	Green	Red	Yellow	Red	Yellow	Green	Green	Green

#### LEGEND:

Preventative or detective controls are in place and are functioning effectively
Progress was made with the implementation of controls, but further improvement is required where actions taken are not sustainable
Internal controls are not effective, and intervention is required to design and implement appropriate controls

### 2.9 Culture shift

#### **Auditee: Gauteng Department of Health**

The AO should exercise oversight and hold CEO's accountable for service delivery failures under their control through alignment of performance contracts to the key strategic priorities and planned targets of the department, implement standardised performance reporting processes and monitor progress to detect areas of non adherence to policies and procedures, and take necessary corrective measures.

The AO should capacitate the SCM unit, exercise oversight over institutions procurement processes and hold CEO's accountable for non adherence to applicable SCM policies procedures and legislation.

As part of the sector audit, we focused on the current status of the implementation of the ideal clinic realisation and maintenance programme (ICRM) in the province. Site inspections were also conducted for the implementation of ideal clinics, as well as safety and security where it was noted that some maintenance and repairs were not done in a timely manner at the healthcare facilities visited. Issues noted relating to unavailability of essential medicines and basic medical supplies, repairs and maintenance not done in a timely manner and buildings not complying with safety regulations. Management need to address these issues as they have an impact on the successful implementation of National Health Insurance.

The current approved departmental organisational structure dates back to 2006. The lack of formal workload indicator staffing needs analysis, coupled with the absence of a human resource plan to inform the ideal staffing structure of the department, restricted the department's ability to obtain adequate funding for the creation and filling of posts to service patient needs adequately. Vetting of prospective applicants was not performed consistently, which exposed the department to risks of appointing individuals without the required skills, qualifications and competencies. A number of key vacancies existed during the period under review, which created instability within the department and compromised the overall internal control environment.

#### **Auditee: Gauteng Medical Supplies Depot**

To maintain credibility of annual financial statements, MSD requires an integrated financial reporting system that will enable MSD to track and monitor open orders and direct deliveries made by suppliers to the health facilities due to the high volume of transactions that transpire within the financial year. Manual processes are susceptible to human errors which will negatively impact credibility of annual financial statements if intervention is not provided.

MSD continues to struggle in ensuring compliance with applicable key laws and regulations in the areas depicted in the table above which resulted in a stagnation of the audit outcomes.

Furthermore, the accounting officer did not investigate instances of irregular and fruitless and wasteful expenditure to ensure that liable officials are held accountable for transgressions.

Delays in conducting investigations and taking disciplinary steps against liable officials negatively affect the culture of accountability for wrongdoing. In addition a material non-compliance was reported relating to MSD's inability to pay suppliers within 30 days.



## 2.10 Recommendation to the different role players

No	Key recommendations	Area of focus
1	The MEC should ensure effective coordination between GDID and GDoH through frequent engagements with the GDID MEC on the status of infrastructure projects, ensuring improved coordination between GDID and GDoH by identifying challenges and deficiencies as they arise to ensure that appropriate action is taken in a timeous manner	Infrastructure delivery
2	The accounting officer to ensure and monitor the development and timeous implementation of an action plans to address significant internal control deficiencies on financial reporting, performance reporting and compliance .	Annual financial statements Audit of performance information Compliance
3	The accounting officer should exercise effective oversight over CEOs at the institutions over the implementation of internal controls to improve the financial management, performance management, compliance with legislation and service delivery.	Annual financial statements Audit of performance information Compliance Departmental revenue and receivables Service delivery
4	The accounting officer to ensure adequate oversight responsibility over delivery of capital projects and the implementation of the ideal clinic realisation and maintenance programme.	Infrastructure delivery • National health insurance (NHI) • Delivery of IT projects
5	Ensure that key vacancies are filled within the 2023-24 financial year.	Senior management Audit of performance information Supply chain management
6	The accounting officer should ensure that a correlation exist between the achievement of targets and use of the budget to ensure achievements and delivery of services is aligned to budget spend.	Audit of performance information



No	Key recommendations	Area of focus
7	The accounting officer should Implement consequence management against officials who have contravened the applicable laws and regulations and for poor performance	Supply chain management

## 2.11 Key recommendations to the committee

We request and recommend that the portfolio committee consider the following actions to be implemented as part of their oversight role to facilitate and assist the department in maintaining the financial and performance management, as well as the status of compliance, thereby ensuring good governance and administration of public funds. The committee should hold political and administrative leadership accountable to ensure:

- Timely and effective implementation of the audit action plans
- Monitoring of the reliability of reported performance
- Tracking the filling of key vacancies to stabilise the department
- Oversight over compliance with laws and regulations and monitor compliance with SCM policies and procedures
- Tracking implementation of consequence management for transgressions
- Follow up on AO action in addressing material irregularities

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