



REPORT 01 OF 2018
SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA PROVINCIAL LEGISLATURE:
DEPARTMENT OF HEALTH (2017/18)

1. INTRODUCTION

The Constitution of the Republic of South Africa, Act 108 of 1996 empowers Provincial Legislatures to establish mechanisms to maintain oversight on provincial executive authority and organs of state. The Legislature through its Standing Rules and Orders has established the Select Committee on Public Accounts (SCOPA) hereinafter referred to as a Committee, and entrusted it with the responsibility to conduct financial scrutiny and examination of all financial statements and reports of the Auditor-General tabled before the House.

The Committee sent preliminary questions to the Department of Health and received responses which were subsequently presented during a hearing of the Committee. This transparent process of engagement was aimed at assisting and guiding the Department on areas that require improvement and monitoring.

The Committee discharged its mandate of ensuring prudent financial management over the reports of the Department of Health and wish to report as follows;

2. COMMITTEE PROCEDURE

The Committee met with the Department on 23 October 2018 to deliberate on the above report and considered its draft report on 26 March 2019. The meeting of the Committee was open for the public including the media as required by section 118 (1) (b) of the Constitution of the Republic of South Africa, Act No. 108 of 1996, read with the Standing Rules and Orders.

The MEC, HOD and the delegation responded to various questions posed by the Committee during the hearing.

3. PROGRESS REPORT ON HOUSE RESOLUTIONS 2016/17 FINANCIAL YEAR

The Committee considered progress made by the department in implementing previous House Resolutions relating to the 2016/17 financial year. The progress per House Resolution is contained in the table below:

Progress report on scopa resolution 2016/17 financial year

NO	RESOLUTION	PROGRESS AS ON	Status
1. IRREGULAR EXPENDITURE	(i) The Executive Authority must take disciplinary actions against the Accounting Officer/ official(s) for incurring irregular expenditure amounting R 6 464 630 000 in the 2016/17 financial year.	(i) The Accounting Officer has already initiated disciplinary proceedings against officials who have caused the irregular expenditure of R 5.2 billion incurred up to 31 March 2016 wherein 32 officials were subjected to progressive disciplinary proceedings during the first quarter of 2017/2018.	Ongoing
	(ii) The Executive Authority must investigate all transactions contributing to the irregular expenditure amounting R 6 464 630 000 incurred in 2016/17 and take disciplinary action against liable person(s) and/ or hold the Accounting Officer liable.	(ii)The Department has incurred irregular expenditure in 2016/2017 of R1.5 billion The Accounting Officer has realized that the Irregular expenditure of R1.4 billion out of R1.5 billion related to awards in previous financial years which has been investigated by Labour relations office while R47.8 million relates to awards made by other departments (OTP and DPWR&T)	Ongoing
2. MOVABLE TANGIBLE CAPITAL ASSETS	(i) The Accounting Officer must take disciplinary actions against official(s) who could not locate movable capital assets during audit amounting to R 751 491 823	(i)The Department did not have adequate controls which can be used to determine the liability for assets not located during the audit. The Accounting officer has since established the verification tool for managers to verify the accuracy, completeness and existence of movable tangible assets	Ongoing

	(ii) The Accounting Officer must take disciplinary actions against officials who failed to ensure that there are no misstatements in the financial statements (major and minor assets).	(ii)The Accounting Officer did not take disciplinary steps against the officials preparing the annual financial statement as the information submitted is dependent of information submitted by institutions. The Accounting Officer has since established the verification tool for managers to verify the accuracy, completeness and existence of information submitted for preparation of annual financial statement	Ongoing
3.PREDETERMINED OBJECTIVES	(i) The Accounting Officer must take disciplinary actions against official(s) who failed to ensure that performance information is reliable as required by the Auditor General.	(i)The Accounting Officer did not take disciplinary steps against the officials who failed to ensure that the performance information is reliable. The following measures have been established to ensure reliability of performance information: - Facility managers are signing monthly input forms and data verification certificate. Program managers are signing data integrity certificate.	Ongoing
	(ii)The Accounting Officer must conduct quarterly reviews on performance information and ensure that MOV are submitted and assessed prior to review.	Quarterly reviews on performance information are conducted in the three (3) districts and at the Provincial Office. Data quality verification is done at a facility level and at a sub-district level before the district reviews are conducted.	Closed
4. PROCUREMENT AND CONTRACT	(i) The Accounting Officer must take disciplinary actions against the official(s) for contravening the	(i) An investigation has been concluded as follows: 12 Official were reported to have	Ongoing

MANAGEMENT	Treasury Regulation 16A 6.1.	<p>conducted business with government, our findings were:</p> <ul style="list-style-type: none"> ▪ one official (Sessional Doctor) has resigned from the service, ▪ 2 doctors on the group of 11, are Sessional Doctors, therefore we do not have the <i>locus standi</i> to institute misconduct enquiries against them. <p>2 of the group of 11 are Hospital Board Members, therefore, they are not government employees, disciplinary proceedings cannot be initiated against them.</p> <ul style="list-style-type: none"> ▪ 1 of the group of 11, provided evidence that he is not a member or a director of a company as alleged in the cause of action. ▪ 6 of the group of 11 investigations is still pending further submissions of tangible evidence, we hope to conclude our investigations 31st March 2018 	
	(ii) The Accounting Officer must develop adequate capacity with the Procurement, Contract Management and Infrastructure Management.	(ii) Human Resource Management Development has been to prioritize the formal developmental programme on contract management. A request will also be forwarded to Provincial Treasury for training of officials within supply chain management on contract management protocols and processes.	Closed
5. EXPENDITURE MANAGEMENT	(i) The Executive Authority must take disciplinary actions against the	(ii) The Accounting Officer has established the reasons for the	Ongoing

	Accounting Officer for incurring fruitless and wasteful expenditure amounting R2 306 000 .	late payments of invoices which resulted in Fruitless and Wasteful expenditure as follows: - R1 949 122 was interest charged by contract due to delays in Department of Public Works Roads and Transport. Recovery letter has been submitted to DPWR&T - R147 279 was interest charged on late payments by Eskom and Municipalities. Final investigation reports will be finalised by 30 April 2018 - R209 627 was interest incurred at Provincial Office from different programmes.	
	(ii) The Accounting Officer must recover the fruitless and wasteful expenditure amounting to R 2 306 000 from the official(s) who caused the Department to incur irregular expenditure.	(ii)The Accounting Officer has submitted letter to Department of Public Works Roads and Transport in order to recover the R1 949 122 incurred. R50 258.73 interest charged on legal cases was also recovered Decision to recover or write off the fruitless and wasteful expenditure will be taken after the completion of the investigations by Provincial Financial Misconduct committee and District Financial misconduct and Loss Control Committee.	Ongoing
6.REVENUE MANAGEMENT	(i) The Accounting Officer must put measures in place that will ensure that the Department collect all money due as required by Section 38(1)(c)(i) of the PFMA.	(i)The Accounting Officer has conducted workshops on patient billing and closing of open files. Patient Electronic information System was updated with the latest version to prevent incorrect classification of patients. Rental registers were updated after verification of actual occupants.	Ongoing

<p>7. LEADERSHIP</p>	<p>(i) The Executive Authority must take disciplinary actions against the Accounting Officer for failure to exercise oversight responsibility regarding financial and performance reporting and compliance with legislation in the Department.</p>	<p>(i)The Executive Authority acknowledges the need to take disciplinary actions against the Accounting officer, however, the Executive authority is of the view that the current financial monitoring and control systems that have been initiated will improve compliance of the department, in that each responsible manager will account through the input and data integrity certificate about the accuracy of the information provided, furthermore any misrepresentation with regard to the information as provided, consequence management will apply.</p>	<p>Ongoing</p>
<p>8.FINANCIAL AND PERFORMANCE MANAGEMENT</p>	<p>(i) The Executive Authority must take disciplinary actions against the Accounting Officer for failure to prepare regular, accurate and complete financial reports supported by evidence and reliable information.</p>	<p>(i)The executive authority acknowledges the need to take disciplinary actions against the Accounting officer, however, the Executive authority is of the view that the current financial monitoring and control systems that have been initiated will improve compliance of the department, in that each responsible manager will account through the input and data integrity certificate about the accuracy of the information provided, furthermore any misrepresentation with regard to the information as provided, consequence management will apply.</p>	<p>Ongoing</p>

<p>9. GOVERNANCE</p>	<p>(i) The Executive Authority must take disciplinary actions against the Accounting Office for failure to implement recommendations of the internal audit function and audit committee, the same matter was raised with the Department the previous financial year.</p>	<p>(i)The Accounting Officer has implemented the recommendations of the Audit committee and Internal Audit unit as the audit qualification paragraphs were reduced from 7 (seven) to 3 (three).</p> <p>Recommendations from internal audit units are implemented and internal audit do perform the follow up audits to verify the implementation of their recommendations.</p> <p>The Department has implemented the recommendations as follows:</p> <ul style="list-style-type: none"> ▪ Commuted overtime and doctors not signing the attendance register for overtime worked – Commuted overtime monitoring tool has been developed and implemented by the institution hence the qualification was resolved. 	<p>Ongoing</p>
	<p>(i) The Committee emphasized on the fact that the Accounting Officer must fill all key vacant and funded positions in order to address the findings which were as a result of lack of capacity and shortage of staff in the Department.</p>	<p>The Department prioritized the filling of 551 critical vacancies</p>	<p>Ongoing</p>

4. Comments by the Committee

The Committee was not satisfied with the responses by the Department and the Department is continuously implementing the House Resolutions. The Committee wanted to know whether the two (2) board members did not do business with the department and what were the outcomes of the six (6) officials that were found doing business with the department. The department indicated that the six (6) officials have been charged and they were doing business with municipalities and other departments in other provinces, the Committee was informed that the dates of the hearings will be finalised before the end of November 2018.

The department acknowledged the comments made by the Committee and indicated that the SAJV was appointed by the Office of the Premier so that the outstanding cases of financial misconduct are finalised, the Committee was informed that the food contract was being awarded. The Committee wanted to know why the department is spending a huge amount on litigation and what the main causes thereof. The Accounting Officer indicated that mainly were caused by maternity and authopidity, the Committee was also informed that the department has agreements with private Doctors to assist them and training is provided to departmental doctors to address some of the challenges confronted by the department.

The Committee further enquired on challenges faced by the EMS because there is a public outcry of poor services. The department indicated that they have shortages of EMS personnel and due to budgetary constraints ambulances are not enough as required, the Committee was also informed that the entire province is in need of 300 ambulances so that most areas can be assisted in case of emergency.

COMMITTEE AND FINDINGS RECOMMENDATIONS

AUDIT OPINION 2017/18

5. CONTINGENT LIABILITY

The Auditor General found that contingent liabilities were overstated by **R115 587 622** and was unable to obtain sufficient appropriate audit evidence for cases amounting to **R 69 085 028**. In addition, the Auditor General was unable to determine if any further adjustments were necessary to contingent liabilities state at **R 7 888 073 000**. The Committee wanted to know why the Accounting Officer overstated the contingent liabilities by **R 115 587 622** and what is the implementation of this overstatement to the 2018/19 budget of the department. The Accounting Officer indicated that they overstated the contingency by **R 115 587 622**, due to summons received after financial year end relating to 2017/2018. The cases were included in the register through letters of demand. The overstatement of contingent liabilities did not have any implication to the budget of the Department for 2018/19 financial year, as the payment will not be probable nor finalized in the 2018/19 financial year.

5.1 Recommendations

The Committee recommended that:

- (i) The Executive Authority must take disciplinary actions against the Accounting Officer for incurring contingent liabilities amounting to **R115 587 622**.

6. RESTATEMENT OF CORRESPONDING FIGURES

The Committee noted that the Auditor General has found that the corresponding figure for 31 March 2017 have been restated as a result of an error discovered during the year ended 31 March 2018 in the financial statements of the department. The Committee enquired why the Accounting Officer failed to determine whether there was restatement of corresponding figure in the financial statement.

The Accounting Officer indicated that the department has determined the reasons for the restatement of corresponding figures which were correction of prior year financial figures, which were caused by the following:

- Irregular expenditure of **R3.1 billion** was incorrectly recorded in previous financial years.
- Immovable Tangible Capital Assets was valued with correction of Gross Building Area and subsequently surrendered to Department of Public Works Roads and Transport.

The Committee was interested on what actions, measures and steps did the Accounting Officer take in response to the finding above, if no action was taken. The Accounting Officer indicated that they have developed and implemented audit action plan in 2016/2017 financial year. The restatement of corresponding figure was processed to clear the previous audit qualification.

6.1 Recommendation

The Committee recommended that:

- (i) The Accounting Officer must take disciplinary actions against official(s) who could submit accurate information.

7. ACCRUALS

The Committee noted that the Auditor General has found that the payables in the financial statements which exceeded the payment term of 30 days amounted to **R 181 671 000**. This amount exceeded the voted funds surrendered of **R 77 040 000** by **R 104 631 000**. The Accounting Officer was requested to share with the Committee the current status of Accruals of the Department of Health as of 30 September 2018 and further indicate what has caused the accrual per item and indicate the amount associated with.

The Accounting Officer indicated that the current recorded accruals as at 30 September 2018 amounting to **R 53 038 million**. The cause of accruals during the financial year is due to invoices being submitted towards month end and/or after month end for services and goods delivered before month end. The Committee was further informed that those invoices will still be within the payment process by end of the month. The Committee noted with concern that the department is continuously accumulating accruals which affect the service delivery that are needed by the community.. The department acknowledged the comments made by the Committee and indicated that they will improve and reduce accruals.

The Department has reported that a **plan has been developed** and they have embarked on project to reduce health costs by improving efficiency of spending. The Department has envisages to save on key accounts in order to absorb accruals within the allocated budget for 2018/19.

7.1 Recommendations

The Committee recommended that:

- (i) The Executive Authority must take disciplinary actions against the Accounting Officer for incurring accruals
- (ii) The Accounting Officer must ensure that invoices are paid within 30 days as it is required by Treasury Regulations.

- (iii) The Accounting Office must develop a system that will ensure that the department does not have accruals.

8. IRREGULAR EXPENDITURE

The Committee noted that Auditor General has found that the department incurred an irregular expenditure of **R 309 920 000** for failure to follow proper tender processes. The Accounting Officer was required to indicate the services procured without following proper tender processes. The Accounting Officer indicated that the irregular expenditure incurred by the Department relates to contracts awarded in the past financial years, namely:

- Supply and delivery of perishable and none perishable food to hospitals – **R78 750 704**
- Outsourcing the management of procurement, warehousing, and distribution of pharmaceuticals and surgical sundries – **R213 545 990**
- Participating in contracts arranged by the Office of the Premier for legal services – **R13 577 409**
- Other irregular expenditure amounting to **R4 145 701**

The Committee wanted to know the actions taken by the Accounting Officer after the discovery of the irregular expenditure. The Accounting Officer indicated that the department has established Provincial Financial Misconduct Committee and District Financial Misconduct and Loss Control Committee that investigate the irregular and fruitless and wasteful expenditure.

8.1 Recommendations

The Committee recommended that:

- (i) The Executive Authority must take disciplinary actions against the Accounting Officer for incurring irregular expenditure amounting **R 309 920 000** in the 2017/18 financial year.
- (ii) The Accounting Officer must provide the progress report after the Financial Misconduct Committees concluded its investigations on the irregular expenditure.
- (iii) The Executive Authority must take disciplinary actions against Accounting Officer for failure to follow proper tender processes.

9. PREDETERMINED OBJECTIVES

The Committee noted that the Auditor General was unable to obtain the information and explanation considered necessary to ascertain reliability and validity of the reported performance information.

The Committee wanted to know why the Accounting Officer failed to curb this finding considering that this is a recurring finding from previous financial year. The Accounting Officer indicated that they have failed to curb the recurring finding as children under 5 years are using the Road to Health Card which should always be kept with the family to ensure that such are produced at any health facility whenever the child is sick or due for the next immunization. The Committee was further informed that pregnant woman also take their Antenatal Cards home to ensure that such are produced at any other health facility whenever the woman is sick, attends ANC clinic or in case of delivery elsewhere.

The Committee wanted to know whether the Accounting Officer validate, complete and ensure that reported information is valid when compared to source information. The Accounting Officer indicated that the department has conducted a Data Audit Assessment facilitated by the Internal Audit and Information Management directorates.

The Committee was further informed that a report was developed and findings shared with the District Management for the three (3) Districts (Ehlanzeni, Nkangala and Gert Sibande) to ensure that the recommendations are implemented in all facilities because such findings are generic and this assists in preparing for the next financial year's audit.

The Committee wanted to know whether the Accounting Officer validate, complete and ensure that reported information is valid when compared to source information. The Accounting Officer indicated that they did put measures and systems to ensure that reported performance is valid, accurate and complete

9.1 Recommendations

- (i) The Accounting Officer must take disciplinary actions against official (s) who failed to ensure that Performance Information is reliable as required by the Auditor General.
- (ii) The Accounting Officer must strengthen the monitoring system and provide evidence to the Committee that the department had put measures and systems to ensure that reported performance is valid, accurate and complete.

10. PROCUREMENT AND CONTRACT MANAGEMENT

The Committee noted that the Auditor General has found that some bid documents for the procurement of commodities for local content and production did not meet the stipulated minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8 (2).

The Committee wanted to know why the Accounting Officer failed to meet the threshold for local content and production for some of the Bids documentations for designated local content and production. The Accounting Officer acknowledged that the

Department failed to comply with the threshold for local content and production for some of the bids documents for designated local content and production. Section 8(2) of the Preferential Procurement Regulations, 2017 indicates that an organ of state must, in the case of the designated sector advertise the invitation to tender with the specific condition that only locally produced/manufactured goods, meeting the stipulated minimum threshold for local production and content, will be considered. The invitation to bid for transaction less than **R500 000** for the procurement of furniture products and textile, clothing, leather and footwear did not specify the minimum threshold for local content and production.

10.1 Recommendations

The Committee recommended that:

- (i) The Executive Authority must take disciplinary actions against the Accounting Officer for contravening Treasury Regulation 16A6.1.

- (i) The Accounting Office must take disciplinary measures against the official/s for failure to adhere to SCM prescript.

11. EXPENDITURE MANAGEMENT

The Committee has noted that the Auditor General has found that effective and appropriate steps were not taken to prevent unauthorized, irregular as well as fruitless and wasteful expenditure as required by section 38(1)(C) of the PFMA and Treasury Regulation 9.1.1,

The Committee wanted to know the effective steps taken by the Accounting Officer to prevent unauthorized, irregular, fruitless and wasteful expenditure. The Accounting Officer indicated that they have developed Supply Chain Management and expenditure checklist which assist to prevent the non-compliance that could result in unauthorized, irregular and fruitless and wasteful expenditure. The department has conducted Supply

Chain Management trainings through the National School of Government in all the Districts and departmental officials attended the trainings

The Committee wanted to know whether the Accounting Officer incurred unauthorized, irregular, fruitless and wasteful expenditure. The Accounting Officer has incurred unauthorized, irregular and fruitless and wasteful expenditure, unauthorized expenditure amounting to **R33 million** for the 2017/18 financial year. The unauthorized expenditure was overspending on overtime for Witbank Hospital and payment for dialysis services for both Rob Ferreira Hospital and Witbank Hospital. The Unauthorized Expenditure is under investigation by the Internal Audit and a report will be provided when the task is concluded.

The Accounting Office reported that the Department had reported the unauthorized, irregular and fruitless and wasteful expenditure to the Provincial Treasury and was disclosed in the 2017/18 Annual Financial Statements.

11.1 Recommendations

The Committee recommended that:

- (i) The Executive Authority must take disciplinary actions against the Accounting Officer for incurring unauthorised expenditure amounting **R 33 million**.
- (ii) The Accounting Officer must take disciplinary actions against official/s responsible for the unauthorized expenditure after the investigations have been concluded
- (iii) The Accounting Officer must ensure that money is recovered from the official/s responsible for unauthorized expenditure

12. REVENUE MANAGEMENT

The Committee noted that the Auditor General has found that effective and appropriate steps were not taken to collect all money due as required by Section 38 (1)(c)(i) of the PFMA and Treasury Regulations 11.4.1.

The Committee was informed that the Accounting Officer did not collect all monies due to the Department on Patient Debts and Staff Debts. On Patient Debts were incurred as a result of health services rendered to paying patients who did not settle or pay their accounts during their visits at Hospitals. Staff Debts were caused by overpayments of officials who resigned, government vehicles accident debts due to negligence, official provided with accommodation and erroneous overpayment of suppliers.

12.1 Recommendations

The Committee recommended that:

- (i) The Accounting Officer must take disciplinary measures are taken against official/s for not ensuring effective and appropriate steps were not taken to collect all money due as required by Section 38 (1)(c)(i) of the PFMA and Treasury Regulations 11.4.1.

13. LEADERSHIP

The Committee noted that the Auditor General has found that the Accounting Officer did not exercise oversight responsibility regarding financial and performance reporting and compliance with legislation.

The Committee wanted to know whether the Accounting Officer exercised oversight responsibility regarding financial and performance reporting and compliance with legislation.

The Accounting Officer indicated that the department has exercised oversight responsibility regarding the financial and performance reporting and compliance with legislations:

- The Department had Budget Committee meetings, Annual Financial Statement review committee meetings and district performance reviews.
- Internal audit has audited financial and performance reporting as part of oversight over financial and performance reporting during the financial year.

The Committee wanted to know why the Accounting Officer failed to implement effective human resource management to ensure adequate and sufficient skilled resources were in place and that performance was monitored.

13.1 Recommendation

The Committee recommends that the House resolve that:

- (i) The Executive Authority must take disciplinary actions against the Accounting Officer for failure to exercise oversight responsibility regarding financial and performance reporting and compliance with legislation in the department.

14. CONCLUSION

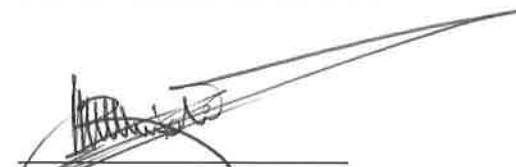
The Committee has satisfied the requirements of the Mpumalanga Provincial Legislature Rules and Orders of conducting oversight over the financial statements of the Department of Health. The Chairperson would like to express his heartfelt gratitude Honorable Members of the Committee, MEC, HOD and Senior Management for availing themselves to deliberate on matters pertaining to the Department.

The Chairperson would also like to thank the support staff for contributing to the production of this report.

Unless specified differently, progress on all resolutions must be submitted to the Legislature by the 26 June 2019 and on a quarterly basis afterwards.

15. ADOPTION

The Select Committee on Public Accounts recommends that the House adopt the report with its recommendations.



Hon. VV Windyoël

Chairperson

Select Committee on Public Accounts

Mpumalanga Provincial Legislature

02 / 04 / 2019.

Date