



REPORT 2 OF 2013

SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 4TH MPUMALANGA PROVINCIAL LEGISLATURE; DEPARTMENT OF HEALTH (2011/12)

1. INTRODUCTION

The Select Committee on Public Accounts (SCOPA) hereinafter referred to as 'the Committee', examined the Annual Report of the Department of Health which includes the financial statements, report of the Auditor-General, report of the Accounting Officer and performance information.

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

The Committee discharged its oversight mandate of ensuring prudent financial management over the reports of the Legislature. During the 2011/112 audit period the department obtained a qualified audit opinion.

2. COMMITTEE PROCEDURE

The Committee met on 12 February 2013 to deliberate on the above reports. Meetings of the Committee were open sessions for the public including the media as required by Standing Rule 116 and section 118 (1) (b) of the Constitution of the Republic of South Africa, Act No. 108 of 1996.

The Accounting Officer and his delegation responded to various questions posed by the Committee during the hearing.

3. COMMITTEE FINDINGS AND RECOMENDATIONS

3.1 BASIS FOR QUALIFIED OPINION

3.1.1 MOVABLE TANGIBLE CAPITAL ASSETS

The Committee noted that the Auditor General reported that assets valued at R70 065 116.00 were incorrectly removed from the asset register, as assets not verified. As a result the Auditor General was unable to obtain sufficient appropriate audit evidence to confirm the occurrence, accuracy, classification and completeness of the current year adjustment to prior year balances amounting to R115 209 000.00 as disclosed in note 43 to the financial statements. Note 9 of the financial statement indicates that there was an unauthorised expenditure amounting R4 833 000.00. The Committee requested an explanation of why the assets valued R 70 065 116.00 were incorrectly removed from the asset register.

The department indicated that the projected error amounting R70 065 116.00 was based on new assets which the Auditor General identified three out of six components but all the equipment was delivered, installed and operating (Digital mammographic unit, archiving and communication system and radiology and digital trauma X—ray unit) to the value of R 6 703 618.00 at Rob Ferreira Hospital, the outstanding component were delivered but not yet in use. This was then interpreted as work in progress and could not be registered on the asset register. The Committee questioned why assets that are work in progress not disclosed on the financial statement and the department indicated that there were no provision to disclose work in progress on the financial statement template in respect on movable assets. The assets have since been installed, tested and fully paid after it was confirmed that they are in a working condition.

The Committee further questioned why the department was using assets that are not complete and also not registered on the asset register. The department assured the Committee that they are implementing an improvement plan which includes the following:

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- Conduct a second verification based on the manual register to ensure that no assets were omitted during the 1st verification;
- Investigation of assets not traced on the asset register;
- Secondment from Western Cape staff to support the department;
- Appointment of additional verifiers for the major sites;
- In the process to appoint a service provider for asset management;
- Department to request for approval from the Provincial Treasury and Auditor General to work on a manual excel asset register

The Auditor General noted that in the financial statements of the department there was an adjustment of assets but the department could not provide supporting information for the adjustment. The committee questioned the department on why did they fail to provide the Auditor General with the information so as to be able to confirm the occurrence accuracy, classification and completeness of the current year adjustment. The department indicated that they acknowledged the shortcoming. An all-inclusive assets registers were submitted, however the expectation from the Auditor General was that the register should be classified and separated. The Auditor General also noted that the department had a disposal of assets but they were not removed from the asset register with the value of R34 374 000.00 and also provide sufficient appropriate audit evidence to support disposal to movable tangible capital assets. The Committee further questioned the department on why did the department fail to provide sufficient appropriate audit evidence to support the disposal of movable assets, the department indicated that the disposal process which was due to no link between the disposal list and asset register therefore the strategy to address this shortcoming was included in the asset Improvement Plan.

3.1.2 RECOMMENDATION

The Committee recommended that the House resolve that:

- (i). The Accounting Officer must put measures and proper and adequate monitoring systems to verify the accuracy, occurrence, classification and completeness of financial statements
- (ii). The Accounting Officer must ensure that all assets upon receipt are registered and that proper order trail for any adjustment on fixed asset register is done on a monthly basis.
- (iii). The Accounting Officer must comply with section 38 (1) (d) of the PFMA and Treasury Regulations 10.1.2
- (iv). The Accounting Officer must ensure that there is a list of all disposed assets with barcodes or ICN number to identify the asset.
- (v). The Accounting Officer must provide reasons for disposal of movable tangible capital assets (a proper approval audit trail) with the list of specific item disposed.

3.2.1 MINOR ASSETS

The Committee noted that the Auditor General has reported that included in the current year adjustment are assets not verified amounting R100 924 00 and non-cash additions amounting to R65 445 531. The Auditor General was therefore unable to obtain sufficient appropriate audit evidence to confirm whether the assets not verified amounting to R100 924 000 had been correctly removed from the asset register and this made it impossible for the Auditor General to confirm the occurrence, accuracy, classification and completeness of the current year adjustment amounting to R46 177 000 as disclosed in note 43.4 to the financial statements. The Committee questioned why the department had failed to provide the Auditor General with sufficient appropriate audit evidence to support disposals to movable tangible capital assets of R34 374 000.

The department indicated that it was for the first time a full verification was conducted to identify the real value of assets currently in the department. The department acknowledges that reconciliation needs to be more detailed to identify all misstatements on the asset register.

3.2.2 RECOMMENDATION

The Committee recommends that the House resolves that;

- (i). The Accounting Officer must put measures, proper and adequate monitoring systems to verify the accuracy, occurrence, classification and completeness of financial statements.
- (ii). The Accounting Officer must ensure that all assets upon receipt are registered and that proper order trail for any adjustment on fixed asset register is done on a monthly basis.

3.3.1 CONTINGENT ASSETS

The Committee noted that the Auditor General reported on contingent assets that there was no sufficient appropriate audit evidence in support of the overpayments made for occupational specific dispensation (OSD) amounting to R44 422 000, as disclosed in note 19.2 to the financial statement that were provided to the Auditor General. The Committee questioned the department on why did they fail to provide the Auditor General with the sufficient appropriate audit evidence in support of the overpayment for the occupational specific dispensation (OSD) R 44 442 000.

The department acknowledged the shortcoming; the audit evidence was provided however the calculations were found to be incorrect. The department was in a process of finalizing the correction of notches which will be done by 31 March 2013.

The Committee further question the department whether the personnel employed to do this calculation are qualified and trained to perform this function and if the department have developed system to ensure proper implementation of the occupational specific dispensation. The department responded that there was a PHSOSBC resolution 3 of 2007 as well as Department of Public Service Administration implementation directive that served as a guide for the implementation of the occupational specific dispensation. however the challenge was with the interpretation of the resolution and direction by the various institutions the bargaining council and the union that led to the calculation error there was an agreement between the department and the council on how to resolve the miscalculations. The department has agreed with the Auditor General to include the occupational specific dispensation as part of the interim audit, any miscalculations and error will be effected by the Provincial Office before the closure of the financial year 2012/2013.

The Committee further questioned the department on whether the last year overpayment amounting to **R12 301 000.00** had been recovered. The department elaborated that there were no overpayment recovered, the department was consulting with the National Department of Health and the DPSA regarding the feasibility of recoveries.

3.3.2 RECOMMENDATION

The Committee recommends that the House resolves that;

- (i). The Accounting Officer must fast-track the dispute settlement at the Bargaining Council (PHSOSBC) in terms of recovering the overpayment of occupational specific dispensation.
- (ii). The Accounting Officer must ensure that overpayments are recovered from implicated officials by the end of 2012/13 financial year as committed to SCOPA.
- (iii). The Accounting Officer must ensure that the Quality Task Team draw up clear terms of reference with National Department of Health and DPSA in terms of the implementation of OSD.

3.4.1 CONTINGENT LIABILITIES

The Committee noted that the Auditor General reported on contingent assets that there was no sufficient appropriate audit evidence in support of the underpayments made for occupational specific dispensation (OSD) amounting to R61 468 000, were provided to the Auditor General which made it impossible to confirm the validity, obligations, completeness and valuation of contingent liabilities amounting to R374 489 000 (2011: R256 762 000) as disclosed in note 19.1 of the financial statement that were provided to the Auditor General.

The Committee questioned the department's failure to provide the Auditor General with sufficient appropriate audit evidence in support of the underpayment for occupational specific dispensation (OSD) amounting to R61 468 000 and why was the situation not improving because the same matter caused the department to get a qualification on the previous financial year.

The department elaborated that there were calculations done to place officials on the correct notches, there was also Quality Task Team to ensure the implementation of the calculations of the OSD. The department also added that they will engage with Provincial Treasury and the Auditor General to assist with the qualification.

3.4.2 RECOMMENDATION

The Committee recommends that;

- (i) the House resolves that Accounting Officer must ensure that officials working in this section are fully capacitated to perform this function of calculating OSD payments on correct notches.
- (ii) the Accounting Officer must take disciplinary steps against those officials responsible for the underpayments made for OSD.
- (iii) The Accounting Officer must ensure that overpayments are recovered from

implicated officials by the end of 2012/13 financial year as committed to SCOPA

4. COMPLIANCE WITH LAWS AND REGULATIONS

4.1. ANNUAL FINANCIAL STATEMENTS, PERFORMANCE REPORT AND ANNUAL REPORT

The Committee noted that the Auditor General reported on page 133 of the financial statement were not prepared in accordance with the prescribed financial reporting framework and were not supported by full and proper records, as required by section 40 (1)(a) and (b) of the PFMA. Also uncorrected material misstatement and supporting records could not be provided resulted in the financial statements receiving a qualified audit opinion.

The Committee further noted that the annual report did not include information compliant with DoRA; the conditions of the allocation for all grants received as provided for in the framework; the steps taken to deal with identified non-compliance with DoRA; and information explaining achieved outputs in terms of DoRA as required by section13(4) of DoRA.

The Auditor General also reported that the report did include the audit committee's comments on the effectiveness of internal control and the quality of in-year management and quarterly reports submitted in terms of the PFMA and DoRA as required by Treasury Regulations 3.1.13 and 18.3.1(g).

The Committee questioned why the department failed to submit financial statements that were prepared in accordance with prescribed financial reporting framework and supported by full and proper records as required by section 40(1)(a) and (b) of the PFMA. The department indicated that:

- The exclusion of the DoRA requirement from the report was due to the new inclusion on the format and was mistakenly omitted,

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- The draft report of the audit committee could not be submitted as required due to the fact that 4 out of 5 members were new and could not meet the time to finalize the draft report,
- The new audit committee that was appointed on the 23rd of March 2012 took over the responsibilities of the previous committee, one member from the previous committee was retained to ensure continuity and that assisted in the composition report of the audit committee.

The department added that the draft report of the audit committee was mistakenly omitted and this was due to lack of personnel in the department.

The Committee further questioned the department why did they fail to include in the annual report information on the conditions of the grants allocation received; steps taken to deal with identified non-compliance as well as the achieved outputs and purpose, as required by section 13(4) of DoRA. The department responded that the exclusion of the DoRA requirement from the report was due to the new inclusion on the format and was mistakenly omitted. The Committee further requested the department to share steps that were taken upon identification of non-compliance as well as the extent to which the grants achieved its purposes and outputs. The department responded that a senior manager was appointed as a dedicated grant manager to monitor performance of grants on a monthly basis, the responsible program managers key performance areas will include the responsibility for ensuring compliance with DoRA. Currently grant and earmark funding meetings are conducted monthly to monitor and report back to Treasury.

The Committee further questioned the department on whether the audit committee did make any comments on the annual report as required by Treasury Regulation 3.1.13 and 18.3.1(g). The department indicated that there was no audit committee at that time because the term had come to an end. The advertisement of the position of the Audit Committee was done on time but there were technical problems and the panel that was supposed to interview the audit members the panel could not form a quorum and the posts were advertised three times. The Accounting Officer added that when he came

into the department, there was no official handover and leadership of the department both administratively and politically changed.

The department acknowledged that the draft audit committee report was not submitted on time. The audit committee later included their comments in the Annual Report. There was no functional audit committees in 2011/12 in the department as meetings were not held and the previous audit committee last met in September.

4.1.1 RECOMMENDATION

(i). The Accounting Officer must investigate whether the non-compliance with section 40 (1) (a)-(b) and section 41 of the Public Finance Management Act and Division of Revenue Act as required by Treasury Regulations 3.1.13 and 18.3.1(g) and must take disciplinary actions against the officials who contravened with the Public Finance Management Act, Division of Revenue Act and Treasury Regulations

(ii). The Accounting Officer must ensure that financial statements are prepared in accordance with the requirements of the Public Finance Management Act

(iii). The Accounting Officer must put measures and systems to ensure that there is an internal audit conducted at least once a quarter in order to pick up any financial reporting irregularities and ensuring there is a checklist on compliance with laws and regulations, and regular reviewing of supporting documentation.

(iv). The Accounting Officer must put measure to ensure that the Annual Report is reviewed for accuracy by the Audit Committee.

4.2. ASSET AND LIABILITIES MANAGEMENT

The Committee noted that the Auditor General reported that on page 133 of the annual report that proper control systems to safeguard and maintain assets had not been implemented, as required by section 38(1) (d) of the Public Finance Management Act

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and Treasury Regulation 10.1.1(a). The Committee questioned the department on why did the Accounting Officer fail to implement proper control systems to safeguard and maintain assets as required by section 38(1) (d) of the Public Finance Management Act and Treasury Regulation 10.1.1(a).

The department stated that it did not have skilled personnel to deal properly with asset management due to an omission in the organizational structure. The structure has since been reviewed to include asset management and the Asset Improvement Plan was being implemented. The National Department of Health appointed thirty (30) graduates personnel to assist the Province with verification of assets in the department. The plan includes the following measures:

- Conduct a second verification based on the manual register to ensure that no assets were omitted during the 1st verification,
- Investigations of assets not traced on the asset register,
- Secondment from Western Cape: Department of Health to support the Department,
- Appointment of additional verifiers for the major sites,
- In the process to appoint a service provider for asset management,
- Department received approval from Provincial Treasury and A-G to work on a manual excel asset register.

4.2.1 RECOMMENDATION

The Committee recommends that the House resolves that:

(i). The Accounting Officer must put proper systems in place to ensure there is safeguarding and maintenance of assets as required by section 38 (1) (d) of the PFMA and Treasury Regulations 10.1.1 (a)

(ii) The Accounting Officer must ensure that at facility level there are skilled personnel responsible for assets management and personnel must undergo training and be capacitated to perform their duties on the asset management as required by the Asset Management Act.

(iii) The Accounting Officer, as a matter of urgency, must meet the deadline with regards to the secondment from Western Cape DoH to support the Department

(iv) The Accounting Officer must ensure there are written standard procedures for asset verification processes.

4.3. AUDIT COMMITTEE

The Committee noted that the Auditor General reported that on page 134 of the annual report that the audit committee was not in place throughout the year, as required section 38(1) (a) (ii) and 77 of the PFMA and Treasury Regulation 3.1.2. the department indicated that the contract for the previous audit committee expired end of August 2011. Advertisements were made in September 2011, after it was decided that no further extensions be made. There were technical delays until the new audit committee was appointed in March 2012. The new committee that was appointed on the 23rd of March 2012 took over the responsibilities of the previous committee. One member from the previous committee was retained to ensure continuity that assisted in the report of the audit committee. The committee further question the department on whether the Accounting Officer has since appointed the audit committee; if so, since when, provide their names; if not, why not. The department indicated that it was appointed, on 23 March 2012 and was composed as follows;

- Chairperson: Adv. W.E Huma
- Mr E. Cousins (Retained)
- Ms T. Sihlaba
- Ms. P.M K. Mvulane
- Mr D.M Mashego

The department indicated that the new member (signed) who was not part of the financial year under review. The Committee indicated that the audit committee report

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should have been left out of the Annual Report as it was improper for a new committee to certify a report or work of a preceding committee.

4.3.1 RECOMMENDATION

The Committee recommends that the House resolves that;

- (i). The Executive Authority must ensure effective political oversight over the administration.
- (ii). The MEC and Accounting Officer must ensure that the audit committee is functional at all time and the tenure of the audit committee is closely monitored to avoid contravening section 38(1) (a) (ii) and of the PFMA and Treasury Regulation 3.1.2.

4.4. CONDITIONAL GRANTS RECEIVED

The Committee noted that the Auditor General reported that the department did not submit all quarterly performance reports on national tertiary services, HIV and Aids and Expanded Public Works Programme grants to the provincial treasury within 30 days as required by section 12 (2) (c) of DoRA. The Committee questioned why the department failed to comply with section 12(2) (c) of DoRA.

The department indicated that there was no central co-ordination in the department. The department has since appointed a grant manager.

The Committee did not accept the response of the department and it indicated to the Accounting Officer they were not assisting on this matter as the grant had certain conditions attached to it.

4.4.1 RECOMMENDATION

The Committee recommends that the House resolves that; the Accounting Officer must take disciplinary steps against the national tertiary services grant manager, HIV and AIDS grant manager, and Expanded Public Works Programme grant manager for contravening section 12 (2) (c) of DoRA.

4.5. EXPENDITURE MANAGEMENT

The Committee noted that the Auditor General reported that the Accounting Officer failed to take effective steps to prevent irregular as well as fruitless and wasteful expenditure as required by section 38 (1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1.

The department also failed to settle payments owed to creditors within 30 days from the receipt of invoice as per the requirements of section 38 (1) (f) of the PFMA and Treasury Regulations 8.2.3. The department indicated that there was shortage of relevant financial and supply chain personnel at facilities resulting in delays of payments. The department was in a process of appointing relevant personnel. LOGIS and BAS down times at facility level was occurring quite often that causes delays in ensuring that suppliers are paid on time. The department indicated that it was investigating cases of fruitless, irregular and wasteful expenditure once the investigations are finalized then disciplinary processes will be followed.

The committee questioned why the issue was recurring and if the Accounting Officer conducts training to all officials who are implementing the supply chain system as required by Treasury Regulation 16A.5.1. The department indicated that the department did report the expenditures to Provincial Treasury as required by the act.

The Committee also questioned why the department failed to implement its own action plan as per the commitment in the last financial year to the committee as well as in line with the resolution of the legislature on this matter.

4.5.1 RECOMMENDATION

The Committee recommends that the House resolves that:

- (i) The Accounting Officer must outline the outcomes of the investigation undertaken by the department with regards to irregular as well as fruitless and wasteful expenditure whether the findings are different to the Auditor General.

- (ii) The Accounting Officer must outline the action plan taken to address the ineffective steps not undertaken to prevent irregular as well as fruitless and wasteful expenditure as required by section 38 (1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1.
- (iii) The Accounting Officer must take disciplinary action against all managers who failed to ensure that payment to creditors were done within 30 days(2011/11).
- (iv) The Accounting Officer must put measures and monitoring systems in place to ensure that payments owed to creditors are paid within 30 days as required by section 38 (1) (f) of the PFMA and Treasury Regulations 8.2.3.(ii) The Accounting Officer conduct training to all officials who are implementing the supply chain system as required by Treasury Regulation 16A.5.1

4.6. HUMAN RESOURCE MANAGEMENT

The Committee noted that the Auditor General reported that employees were appointed without following a proper process to verify the claims made in their applications, in contravention of Public Service Regulation 1/VII/D.8 and persons in charge at pay points did not always certify that the employees receiving payments were entitled thereto as required by the Treasury Regulations 8.3.4.

The department indicated that it had set-up a committee to do the verification of all applicants. Application for access to database of bodies like HPCSA, SANC Umalusi, Universities, South African Qualification Authority, Home Affairs ITC and previous employers of applicant will be done to ensure verification was done. The department indicated that the department has appointed managers to ensure compliance to Treasury Regulation 8.3.4. The department indicated that they are conducting investigation on all the application to check on the verifications. And it was using the following criteria to make verifications of applications

- SAQA (Grade 12 certification)
- Department of Home Affairs

- Health Profession Medical Council (1 Dentists was struck-off)
- South African Nursing Council
- NIA (financial status)

4.6.1 RECOMMENDATION

The Committee recommends that the House resolves that;

- (i) Accounting officer must take disciplinary action against officials who fail to certify payroll at pay points as required by Treasury Regulation 8.3.4.
- (ii) Accounting Officer must ensure verification of all qualifications prior to appointment of recommended candidates during recruitment.
- (iii) The Accounting Officer must submit the report of the investigation conducted and steps taken to address the matter of appointing personnel without verifying their qualifications.
- (iv) The Accounting Officer must ensure that there is an in-house security manager to do the vetting process for security clearance

4.7. PROCUREMENT AND CONTRACT MANAGEMENT

The Committee noted that the Auditor General reported that goods and services with a transaction value of R 500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1.

Contracts and quotations were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of Treasury Regulation 16A6.3 (b) and the Preferential Procurement Regulation. Employees of the department performed remunerative work outside their employment in the department without written permission from the relevant authority, as required by section 30 of the Public Service Act, 1994. The Committee further questioned the department on why did the Accounting Officer contravened with treasury Regulating 16A6.3 (b) and the Preferential Procurement Regulation. The department

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indicated that it failed to comply with Treasury Regulation 16A6.1 and National Treasury Practice Note 8 of 2007-8 due to poor planning.

The Committee also noted that there were persons in the service of the department who had a private or business interest in contracts awarded by the department and failed to disclose such interest, as required by Treasury Regulation 16A8.4 and Public Service Regulation 3C; The Committee questioned the department on why did they fail to implement internal control systems as previously agreed upon with the committee.

The department indicated that the deviation was of a result of procurement of life support equipment (7 anaesthetic machines and 5 CRAP machines) high-tech diagnostic X-ray equipment (2 CT scanners and a digital fluoroscopy machine). The CT scanner was for Witbank Hospital and had been breaking down frequently hence patients had to be transferred to Rob Ferreira and Steve Biko Hospitals, this caused strain on the Rob Ferreira CT scanner, delays in clinical interventions and escalating costs on transport and treatment of patients at Steve Biko Hospital.

The department indicated that it had since put systems in place to verify employment of the directors of companies using PERSAL however that proved insufficient to detect involvement of officials doing business. Internal Audit was in a process of procuring a data analysis software to enable linking of data from CIPRO, PERSAL, BAS and LOGIS which will indicate employees who are directors and to check whether they are conducting business or not.

The department was instituting disciplinary measures in respect of the implicated officials. The department indicated that a fraud prevention plan had been developed and communicated to the officials through intranet and workshops on fraud awareness. The workshops include awareness on the preventing and combating of corrupt activities act. The department has since put systems in place to verify employment of the directors of companies using PERSAL however that was insufficient to detect involvement of officials in business activities.

4.7.1 RECOMMENDATION

The Committee recommends that the House resolves that; the accounting officer take disciplinary action against all departmental officials who are doing remunerative work outside their employment in the public service without approval and submit a report by 20 May 2013.

5. SERVICE DELIVERY – HEALTH

5.1 MANAGEMENT OF MEDICAL WASTE

The Auditor General noted that the department had the following shortcomings:

- Failed to adhere to the requirements for storage of medical waste, in contravention of part 5, section 21 of the National Environmental Management Waste Act of South Africa, 2008 (Act No. 59 of 2008) (NEMWA).
- Failed to adhere to the requirements for the collection of medical waste, in contravention of part 5, section 24 of NEMWA.
- Did not adhere to the prescribed requirements, in contravention of part 2, section 16(1) of NEMWA.

Expired medicines were not properly managed and disposed of, in contravention of the Good Practice of the South African Pharmaceutical Society, required by section 35A of the Pharmacy Act, 1974 (Act No. 53 of 1974), as amended.

The department indicated that it did not fail to adhere to the general requirements for storage of medical waste as required by part 5, section 21 of National Environment Management Waste Act (NEMWA). however the department had a challenge with the service provider that was appointed for the collection of waste, the service level agreement between the department and the service provider was not signed and the matter was then handled by the court.

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The Committee also noted that the Auditor General Reported that the department failed to adhere to the general requirements for the disposal of medical waste, in contravention of part 6, section 26(1) of NEMWA.

The department indicated that the disposal of medical waste was the responsibility of the National Department of Environment Affairs. After disposal of waste, the National Department of Environment Affairs then issue the certification of clearance.

The department adheres to its waste disposal policy, however it has come to light that there were officials who are contravening the policy. The Department was investigating the matter and all officials who will be implicated will be disciplined and the department condemns the medical waste; the service provider collects the medicine for disposal by another authorised service provider.

The approved waste disposal service providers used by the collection service provider are the following:

- Environment Service in Olifantsfontein,
- Solid Waste in City Deep, Johannesburg and,
- Aids Medical Waste in Krugersdorp.

5.1.1 RECOMMENDATION

The Committee recommends that the House resolves that;

- (i) The Accounting Officer must put measures and systems to ensure that the department complies to section 21 of the National Environmental Management Waste Act of South Africa, 2008 (Act No. 59 of 2008) (NEMWA) part 5 of section 24 of NEMWA, part 6 of section 26(1) of NEMWA and part 2, section 16(1) of NEMWA.
- (ii) The Accounting Officer must take disciplinary steps against officials who did not comply with section 21 of the National Environmental Management Waste Act of South Africa, 2008 (Act No. 59 of 2008) (NEMWA), part 5 of section 24 of

NEMWA, part 6 of section 26(1) of NEMWA and part 2, section 16(1) of NEMWA.

- (iii) The Accounting Officer must keep record of certificates as proof of safety and disposal waste from service providers to indicate that it was in accordance with the legislation.
- (iv) The Accounting Officer must ensure that there was a customised waste disposal procedure.

5.2 HEALTH INFRASTRUCTURE

According to the Auditor General report one new clinic was unutilised as appropriate staff and nurses had not been appointed in time, and one new psychiatric unit was unutilised as the building did not meet the requirements of section 38(1) (b) of the PFMA.

The department indicated that the Department of Public Works, Roads and Transport was implementing agent for the department. The matter had been resolved and it involved the Nelspruit CHC and it was officially opened on 06 August 2012.

It was further indicated that at Belfast hospital (HA Grove) the initial contract was terminated due to poor workmanship. A new contractor was put in place. In the report by the Economic Cluster dated June 2011, this issue was raised by the Committee on the slowness to complete the construction of Belfast hospital OPD, casualty, pharmacy, maternity ward and upgrading, renovation of x-rays as the project tender was awarded during October 2006. This project was supposed to have been completed 24 December 2011.

At Kwa-Mhlanga hospital the variation order of 31% was as a result of poor planning. At Ermelo hospital none usage of the psychiatric unit was due to none compliance of the building in terms of norms and standards.

The Committee could not accept the response of the department and therefore questioned the department when did it discover that they are not complying with the norms and standards. The department indicated that there were norms and standards before, they were recently passed and that not even one hospital that complies with the norms and standards in the entire country. The department acknowledged that they should have been patient on the construction of the psychiatric ward.

The project costed the department R16 780 000 to build the psychiatric ward, the unit will be configured to meet the norms and standards, and it was still under assessment by the professional team. The facility was being utilised for psychiatric and psychology OPD and storage of pharmaceuticals as the pharmacy was being renovated.

Comment [NNM1]: The department will respond to the recommendations of the House

5.2.1 RECOMMENDATION

The Committee recommends that the House resolves that:

- (i). The Accounting Officer must provide a progress report on Belfast Hospital, the completion date and indicate the financial implication of terminating and appointment of the new contractor.
- (ii). The Accounting Officer must provide a comprehensive report on for variation order of 31% as a result of poor planning.
- (iii). The Accounting Officer must also provide reasons for the gas station installation which could not subjected to the tender process.
- (iv)The Accounting Officer put proper and adequate monitoring systems to ensure that the department complies with the norms and standards according to the Mental Health Act.
- (v). The Accounting Officer must take action against the official for not following the correct supply chain procedures.
- (vi). The Accounting Officer must provide progress report on the current status of the psychiatric ward in Ermelo Hospital.
- (vii). The department must utilise the psychiatric ward

6 PRE-DETERMINED OBJECTIVES

6.1 RELIABILITY OF INFORMATION

The Department of Health spent an amount of **R7.225 billion** of the voted funds of **R7.548 billion**, i.e. 96% with a variance of 4% which amounted to **R323 million**. The department spent 96% of its budget but could not meet all its planned targets. Out of the total number of 221 planned targets for the year, 119 were not achieved. This means 54% of the total planned targets were not achieved in 2011/12.

The department indicated that the source of information was relevant to the performance reported however the department had challenges with validity and accuracy.

Invalidity and inaccuracy of performance information as reported on Annual Report 2011/12 was as a result of the following reasons:

- Use of sheets instead of proper registers by some of the facilities contributed to poor management of source of information (registers) as some of the sheets were lost. However the department has centralised the budget for registers for the starting from financial year 2013/2014. This will assist in standardisation of registers in health facilities and address the issue of filling.
- Inadequate data capturers, information officers and computers during the period under review in other facilities also contributed to inaccuracy of data. In addressing this challenge the department has since appointment additional data captures/ clerks for PHC facilities through learnership programme for Data Capturers and purchased additional computers for all PHC facilities.
- Unavailability of Standard Operating Procedures (National Function) for performance information management. The Department participated in the National Task Team which was developing Standard Operating Procedures (SOP) for all provinces. The SOPs were approved by National DoH but not released as there is still training to be conducted.

- Department has also enrolled nurses to Evidence Based Management workshop to all districts for CEO, PHC Managers, Information Officers, Clinic Managers and HIV Programme Managers in the 3 districts (6 workshops conducted through ESI)

The department indicated that to determine performance indicators it utilise provincial and national health priorities which are highlighted amongst others in SONA, SOPA, NSDA, MDGs and National Health Systems Priorities (10 point plan) including national customized Indicators. To set up targets the department analyse trends from the MTEF audited actual performance which serves as the baseline.

The Committee further questioned the department on why did the Accounting Officer fail to provide information and documentation substantiating the reported performance and what measures/systems has the Accounting Officer put in place to ensure that senior managers are monitoring the responses or evidence provided speaks to the KPI and targets.

The department indicated that the department did not fail to provide information but in most instances the information provided did not meet the standard of auditors. The department and the auditors agreed to meet prior the auditing process so as to have the same understanding on auditing of performance information and Performance agreements of senior managers are analysed to ensure that strategic objectives tabled within the Annual Performance Plan are aligned to their performance contracts. Chief Directorate meetings are conducted were by performance was reviewed.

6.1.2 RECOMMENDATION

The Committee recommends that the House resolves that the:

- (i). Accounting Officer must ensure that measures and systems are put in place and implemented to improve management of performance information in the department.
- (ii). The Accounting Officer must ensure that there are standard operational procedures in place and that the internal audit is conducted on a monthly and quarterly basis.

7 INTERNAL CONTROL

7.1 LEADERSHIP

The Committee noted that the Auditor General had reported that the Accounting Officer did not exercise adequate oversight responsibility regarding financial and performance reporting, compliance and related internal controls. The Committee required an explanation from the Accounting Officer for failure to exercise adequate oversight responsibility regarding financial and performance reporting, compliance and related internal controls.

The department indicated that they experienced constant changes in both political and key management staff thus compromising continuity and stability in implementing strategic decisions. The department indicated that it had since put the following measures:

- (a). Policies and Procedures Manuals were developed and approved regarding financial and performance reporting, compliance and internal controls,
- (b). Monthly performance reviews meetings with the institutions to ensure credible and accurate information,
- (c). Quarterly and annual provincial and district reviews are conducted to monitor and evaluate performance and performance against predetermined objectives,
- (d). Internal control monitoring and reporting to Accounting Officer,
- (e). Governance committees have been appointed to assist the Accounting Officer with oversight responsibilities

7.1.1 RECOMMENDATION

The Committee recommends that the House resolves that the Accounting Authority must ensure that the Accounting Officer implement fully the measures listed from (a) to (e).

8.FINANCIAL AND PERFORMANCE MANAGEMENT

The Committee noted in the annual report of the department that the Accounting Officer had failed to ensure that management have a proper and timely record keeping mechanism to ensure that relevant and accurate information was accessible and available to support financial and performance reporting.

The department indicated that the approved financial and performance policies stipulate the flow of information, responsibilities of personnel at different levels and the importance of keeping evidence. The Committee further requested an explanation on why did the Accounting Officer fail to ensure that management review and monitor compliance with applicable laws and regulations. The department indicated that the Accounting Officer did not fail to ensure that management review and monitor compliance. The department has the following strategies in place to ensure that laws and regulations are complied with:

- Data Flow Policy,
- Performance Information Policy
- M&E Forum
- Draft M&E Plan
- Draft Implementation Plan for District Health Management Information System
- Facility assessment of readiness for auditing of performance information

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- Action Plan to address audit finding

8.1.1 RECOMMENDATION

The Committee recommends that the House resolves that the Accounting Officer should put all necessary systems to prepare regular, accurate and complete financial and performance reports supported and evidenced by reliable information and put measures to improve its record keeping.

The Accounting Officer must start working on the AG findings by July 2013 and put measures in place to address the AG findings before SCOPA deliberate on the annual report.

9. 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.

Unless otherwise stated a report detailing progress made in the implementation of all adopted resolutions in this report should be forwarded to the Committee by 28 June 2013 and thereafter on quarterly basis.

10. ADOPTION OF THE REPORT

The Select Committee on Public Accounts recommends that the House adopt this report.

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HON. NS MTSWENI

DATE

CHAIRPERSON

SELECT COMMITTEE ON PUBLIC ACCOUNTS