

Name of donor	Global Fund- Single Stream Fund
Full amount of the funding (R'000)	R1,610,148
Period of the commitment	October 2013 - March 2016
Purpose of the funding	Increasing Investment for Accelerated Impact of the National Strategic Plan for HIV and TB, 2012–2016
Expected outputs	<ul style="list-style-type: none"> <li>• 3 675 843 adults and children with advanced HIV infection (currently) receiving antiretroviral therapy</li> <li>• 95% of HIV positive antenatal client initiated on ART</li> <li>• 60% of pharmacovigilance Sites reporting on ARV adverse effects</li> <li>• 90% of TB/HIV co-infected client initiated on ART</li> <li>• 59% of laboratory confirmed MDR TB patients enrolled on second line treatment</li> <li>• 1548 nurses trained in MDR TB initiation and treatment (NIMDR)</li> <li>• 99 575 inmates diagnosed using Xpert MTB/RIF</li> <li>• 195 840 of community members screened for TB by mobile units in peri-mine communities</li> <li>• 176 256 of community members referred for HIV counselling and testing by mobile units in peri-mine communities</li> <li>• 60% of controlled mines that screen miners at least once a year</li> </ul>
Actual outputs achieved	<ul style="list-style-type: none"> <li>• 2 860 604 adults and children with advanced HIV infection (currently) receiving antiretroviral therapy</li> <li>• 90% of HIV positive antenatal client initiated on ART</li> <li>• 33% pharmacovigilance Sites reporting on ARV adverse effects</li> <li>• 75% of TB/HIV co-infected client initiated on ART</li> <li>• 63% of laboratory confirmed MDR TB patients enrolled on second line treatment</li> <li>• 448 nurses trained in MDR TB initiation and treatment (NIMDR)</li> <li>• 82 181 inmates diagnosed using Xpert MTB/RIF</li> <li>• 253 241 of community members screened for TB by mobile units in peri-mine communities</li> <li>• 222 113 of community members referred for HIV counselling and testing by mobile units in peri-mine communities</li> <li>• 31% of controlled mines that screen miners at least once a year.</li> </ul>
Amount received (R'000)	R752,420 (2014/15)
Amount spent by the department (R'000)	R647,871 (2014/15)
Reasons for the funds unspent	<ul style="list-style-type: none"> <li>• R850,346 was committed for external audit for financial year 2014-15</li> <li>• High numbers of unfilled posts affected the overall grant implementation as some activities depend on personnel to carry out activities.</li> <li>• Low number of patients enrolled on Central Chronic Dispensing and Distribution (CCMDD)</li> <li>• Revision of the TB programme workplan and budget which was approved by the Global Fund on 27 March 2014 impacted spending on the TB programme</li> <li>• Forex gains received in February 2015, resulting in late absorption</li> <li>• Constraints in Department of Correctional Services due to security issues delayed implementation of the grant activities.</li> </ul>
Monitoring mechanism by the donor	<p>The National Department of Health as Principal Recipient conducts the following activities to monitor the implementation and performance of funded programmes:</p> <ul style="list-style-type: none"> <li>• Quarterly Data verification and site visits on implemented activities;</li> <li>• Quarterly workshops and meetings with Sub-recipient for programme management;</li> <li>• On-site technical assistance and capacity-building.</li> </ul> <p>The Global Fund conducts regular country visits which include site visits to implementing facilities. The NDoH submits six monthly reports to Global Fund which are verified by an audit firm, the Local Funding Agent (LFA) prior to submission to Global Fund. The LFA represents the interests of the Global Fund in-country. The NDoH also submits quarterly reports to the South African National AIDS Council which serves as Country Coordinating Mechanism (CCM) for Global Fund Grants in the country. The Global Fund also conducts on-site data verification processes as part of quality checks. Periodically, the Global Fund commissions an audit through the Office of the Inspector- General (OIG) as part of weighing Global Fund's investments and identifying risks.</p>

## 2.8 Capital Investment

### Capital investment, maintenance and asset management plan

Infrastructure projects	2014/2015			2013/2014		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
New and replacement assets (Doctors Consulting rooms)	62 708	109 427	(46 719)	218 324	113 726	104 598
Existing infrastructure assets	160 041	51 992	108 049	-	-	-
Rehabilitation, renovations and refurbishments	25 841	18 827	7 014	-	-	-
Maintenance and repairs (FET Maintenance)	45 696	6 373	39 323	60 630	39 685	20 945
<b>Total</b>	<b>294 286</b>	<b>186 619</b>	<b>107 667</b>	<b>278 954</b>	<b>153 411</b>	<b>125 543</b>



**PART C:**

**GOVERNANCE**





### 3.1 Introduction

Commitment by the Department of Health to maintain the highest standards of governance is fundamental to the management of public finances and resources. Users want assurance that the Department has good governance structures in place to effectively, efficiently and economically utilise the State's resources, which are funded by the taxpayer.

### 3.2 Risk Management

The Department has a Risk Management Unit residing within its Cluster: Internal Audit and Risk Management. The activities of the Risk Management Unit are performed and facilitated by the Deputy Director: Risk Management, reporting to the Chief Director: Internal Audit and Risk Management.

Progress has been made in advancing the departmental commitment towards integrated risk management through establishing a formal system of risk management reporting, which makes risk management part of the decision-making structures and also part of the strategic planning and reporting processes. However, the process could not be finalised before year end.

The Department recognises that risk management is a valuable management tool which increases its prospects of success through minimising any negative impacts and optimising opportunities emanating from its operating environment.

### 3.3 Fraud and Corruption

The Department has a Fraud Prevention Plan and Fraud Prevention Implementation Plan. The Fraud Prevention Plan includes the "Whistle-blowing" Policy Statement. The Department subscribes to the National Anti-Corruption Hot-Line housed at the Public Service Commission. All cases received via the Hot-Line are referred by the Public Service Commission (PSC) to the Department for investigation, and the Department provides feedback to the PSC on the

progress of investigations. Other cases are reported to the Department anonymously by its own employees and by members of public, and these are investigated accordingly. The Department also co-ordinates some cases with the South African Police Services (SAPS) and other law enforcement agencies. Once the investigations are concluded, some cases proceed into internal disciplinary processes, whilst others that are of a criminal nature are handed over to the SAPS.

### 3.4 Code of Conduct

The Department has adopted and is adhering to the Public Service Code of Conduct in an effort to promote a high standard of professional ethics in the workplace and to encourage public servants to think and behave ethically. This is achieved through training of employees at every induction. Breaches of the Code of Conduct are dealt with through formal and informal investigations depending on the seriousness of the matter.

### 3.5 Health, Safety and Environmental Issues

The Department has developed and implemented an Integrated Wellness Strategy wherein a reference team is established to offer assistance to employees by internal and external experts.

The Department's strategic implementation on wellness further promotes the physical, social, emotional, occupational and spiritual wellness of individuals, as well as comprehensive identification of psychosocial health risks, by conducting quarterly health screening of employees.

### 3.6 Portfolio Committees

The Department engaged with 14 representatives of different Portfolio Committees during the 2014/15 financial year. A separate comprehensive report on these meetings is available.

PORTFOLIO COMMITTEE	DATE OF MEETING	AGENDA/TOPIC
On Health (National Assembly)	9 July 2014	Briefing on Strategic Plan / APP and Budget of the National Department
Select Committee on Social Services (NCOP)	8 July 2014	Briefing on Strategic Plan / APP of the National Department
On Health (National Assembly)	20 August 2014	Briefing on the Strategic Plan and Budget of the OHSC
On Health (National Assembly)	27 August 2014	Briefing on the Strategic Plan / APP of the CCOD and MBOD
On Health (National Assembly)	03 September 2014	Briefing on the Medicines and Related Substances Amendment Bill
Standing Committee on Appropriations	10 September 2014	Briefing on the 1st Quarter Expenditure for the 2014/15 Financial Year
Select Committee on Social Services (NCOP)	16 September 2014	Briefing on the District Health System
On Health (National Assembly)	17 September 2014	Briefing on the 1st Quarter Performance of the National Department
On Health (National Assembly)	25-26 September 2014	Strategic Planning Session of the Committee
Select Committee on Social Services (NCOP)	14 October 2014	Briefing on the Annual Report 2013/2014
On Health (National Assembly)	15 October 2014	Briefing on the Annual Report 2013/2014
On Health (National Assembly)	29 October 2014	Public Hearings on the Medicines Bill
On Health (National Assembly)	25 March 2015	Briefing on the Strategic Plan / APP of the CCOD

### 3.7 Standing Committee on Public Accounts (SCOPA) Resolutions

There were no outstanding SCOPA resolutions during 2014/15.

### 3.8 Prior modifications to audit reports

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing/ resolving the matter*
None	None	None

### 3.9 Internal Control Unit

Internal Control Unit ensures that a sound internal control environment is in place within the Department. The unit performs the necessary co-ordination work in this regards, ensuring that activities are performed regularly, effectively and in accordance with Department Strategy, applicable legislation and operational policies additionally, it monitors

the integrity and reliability of accounting and recording system.

The control activities and improvement effort of the internal control unit are centered on the risk matrix. This allows the department to monitor strategic and operational risk within an integrated risk-based system that combines impact, probability and current process.

### 3.10 Internal Audit and Audit Committee

The Department has an Internal Audit Unit that coordinates its efforts with other assurance providers. The Unit performs audits in terms of its approved audit plan, and reports functionally to the Audit Committee and administratively to the Accounting Officer.

#### Composition of the Committee

The Committee is made up of the following members, the majority of whom are independent and financially competent:

Name	Qualification	Internal or external member	If Internal, position in the department	Date appointed	Date resigned/ expired	No. of meetings attended
Mr H Buthelezi	<ul style="list-style-type: none"> <li>Honours BCompt</li> <li>Bcomm Accounting &amp; Auditing</li> </ul>	External	Not applicable	03 Oct 2011	02 Oct 2014	5 AC*
Advocate Huma	<ul style="list-style-type: none"> <li>LLM ( Bachelor of Law)</li> <li>LLB ( Master of Laws)</li> <li>B,Proc</li> </ul>	External	Not applicable	16 March 2011  Re-appointed 27 October 2014	30 Sept 2014  26 Oct 2017	11 AC* 4 PAC* 2 Cons 1 SR
Mr T Mofokeng	<ul style="list-style-type: none"> <li>Bachelor of Commerce,</li> <li>Bachelor of Accounting</li> <li>CIA</li> <li>CA</li> </ul>	External	Not applicable	15 June 2012	14 June 2015	11 AC*
Ms PMK Mvulane	<ul style="list-style-type: none"> <li>Chartered Accountant &amp; Registered Auditor,</li> <li>Diploma in Auditing,</li> <li>Bachelor of Commerce in Accounting,</li> <li>Bachelor of Commerce in Accounting (Honours)</li> <li>Final Qualify Examination South African Institute of Chartered Accountants</li> </ul>	External	Not applicable	15 June 2012	14 June 2015	12 AC* 4 PAC* 1 SR*
Professor J W Kruger	<ul style="list-style-type: none"> <li>Ph.D Computer Science.</li> <li>M.Sc. Computer Science</li> <li>B.Sc. Maths, Stats &amp; Psychology.</li> <li>Hons. B.Sc. Operations research.</li> <li>H.O.D Mathematics</li> </ul>	External	Not applicable	27 Oct 2014	26 Oct 2017	7 AC*
Professor TM Jordan	<ul style="list-style-type: none"> <li>B.Com</li> <li>B.Compt</li> <li>CTA</li> <li>M.Compt</li> <li>Professional Accountant (SA)</li> <li>M.Inst.D</li> </ul>	External	Not applicable	27 Oct 2014	26 Oct 2017	2 AC*

AC= Audit Committee; PAC= Performance Audit Committee is a subcommittee of the Audit Committee  
Cons= Consultation with senior management; SR= attending Strategic Risk assessment workshop

The membership has an adequate balance in terms of experience and expertise as it relates to the mandate of the Department to discharge its responsibilities.

#### Attendance at Meetings

The terms of reference require the Committee to meet at least four times a year. For the year under review, the Committee held 12 audit committee meetings, 4 performance audit sub-committee meetings, 2 consultation meetings and one strategic risk assessment workshop.

### 3.11 Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2015.

#### Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 38(1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

#### The Effectiveness of Internal Control

Management and Internal Audit Unit provide the Audit Committee with the assurance that the internal controls are appropriate and effective. This is achieved through a quarterly reporting processes that monitor implementation plans based on agreed corrective actions from Internal Audit Unit and Auditor General of South Africa.

Based on the audits conducted by Internal Audit Unit and presented at the Audit Committee meetings during 2014/15 financial year, the Audit Committee is of the opinion that the controls evaluated during those audits were adequate and effective for most of the areas tested. We do, however, emphasise that in certain instances the controls were found to be ineffective. In those areas management has assured the Audit committee that control deficiencies will be addressed as per detailed action plans, which are monitored by the Audit Committee and audited by Internal Audit Unit.

#### Internal Audit

The Audit Committee reviewed and approved the three year rolling internal audit plan and operational plan for 2014/2015. The Audit Committee further monitored performance of Internal Audit against the operational plan on a quarterly basis. The Audit Committee is of the opinion that the internal audit unit is not operating effectively and that it has not addressed the risks applicable to the department in its audits. The Accounting Officer and Management has agreed to implement corrective actions to enhance Internal Audit Unit performance. The corrective actions will be done in line with the Institute of Internal Auditors' standards and guides which will be monitored quarterly by the Audit Committee.

#### Risk Management

The Audit Committee has monitored on a quarterly basis the achievement of internal risk management milestones as per the Risk Management Implementation Plan. The Audit Committee is disappointed that the Department once again failed to finalise the strategic risk register and implement mitigating strategies pertinent to the Department's risk

profile. Risk management reporting continues to be a standing agenda item for the Audit Committee to ensure effective risk management oversight. The Audit Committee will provide closer monitoring of risk management unit on a quarterly basis and provide feedback to management for proactive corrective action.

#### In-Year Management and Monthly/Quarterly Reports

The department has reported monthly and quarterly to National Treasury as required by the PFMA. The Audit Committee has reviewed the quarterly reports prepared and issued by the Accounting Officer of the Department during the year under review and is satisfied with the content and quality thereof. There has been a notable improvement to the quality of performance information reports and financial statements in the current year, mainly due to management's commitment to implementing improvements recommended in the past year.

#### Evaluation of Financial Statements

The Audit Committee has:

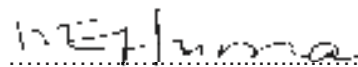
- reviewed and discussed the audited financial statements to be included in the annual report, with the AGSA, the Accounting Officer and Management
- reviewed the AGSA management report and management's response thereto;
- reviewed the department's compliance with legal regulatory provisions;
- reviewed the financial statements for any significant adjustments resulting from the audit, and

#### Auditor General's Report

The Audit Committee has met and discussed the audit outcomes with the Auditor-General South Africa to ensure that there are no unresolved findings. We have also reviewed the department's implementation plan for the audit issues raised in the AGSA management report and continuous oversight will be exercised to ensure that all matters are adequately addressed.

#### Conclusion

The Audit Committee concurs and accepts the conclusion of the Auditor General of South Africa on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read with the report of the Auditor General of South Africa.



**Adv. W. E. Huma**  
Chairperson of the Audit Committee  
National Department of Health

**Date: 31 July 2015**