

R900m spent irregularly, says AG

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Report raises alarm on weak audit unit, service delivery

DIANNE HAWKER AND CANDICE BAILEY

AS THE North West Department of Health contemplates charging five senior managers for a R300 million tender that has implicated it in irregular expenditure, a recent report into the department's finances shows that it is embroiled in close to R1 billion in irregular spending.

Last week we reported how R300m worth of medical equipment had to be stored in a Midrand warehouse for more than two years while the two hospitals that the equipment was for were being built.

The Sunday Independent has been reliably informed that the five senior officials have been linked to the tender.

Department spokesman Tebogo Lekgethwane said the department was investigating the circumstances around the tender.

But according to a management report from the office of the auditor-general, the tender is just part of a sizeable irregular expenditure bill at the department.

The report states that the provincial department spent R898m irregularly and had R50m in unauthorised expenditure in the past financial year, prompting a qualified audit opinion.

The report highlights a dysfunctional internal audit unit, concerns over procurement procedures and problems with service delivery.

The report comes as the department still has to condone more than R2.4bn in previous irregular expen-

diture. The department has an annual budget of about R6.9bn.

Internal audit is one of the concerns cited in the report.

"Internal audit is not adequately resourced. The professional staff is operating at 45 percent capacity and 55 percent vacancy rate," the report reads.

The report also raised concerns about procurement procedures. The AG's investigation found 128 officials who provided services to the department and other departments, and no approval was found in departmental records.

About R180m worth of construction contracts were found to have been awarded to companies not registered with the Construction Industry Development Board.

"Sufficient appropriate evidence could not be obtained to substanti-

ate that three major projects to the value of R190 846 000 were procured after a proper needs assessment was conducted in the form of project evaluation."

The AG was also concerned about service delivery at the department.

"The department did not adhere in all cases to the general requirements for the management and storage of medical waste.

"Expired medicines were not properly managed and disposed of, in contravention of Good Pharmacy Practice," said the report.

The department has recently been caught in a number of spending scandals, the latest relating to an ongoing investigation into a 2008 contract for R330m in medical equipment supplies.

The contract for the medical

equipment, which is noted in the AG's report, was for furniture and machines at the Moses Kotane Hospital in Rustenburg and the Vryburg District Hospital.

The department is also caught up in 14-month-long litigation over a R600m contract for the rental of plush office space in Mafikeng.

Although the building was built to departmental specifications, the North West government wants the company to reduce the rental amount to be more in line with Mafikeng standards.

Lekgethwane said the irregular expenditure was largely linked to building projects implemented by the provincial Department of Public Works. "When the auditor general conducted its audit into the process followed in the awards, the Department of Public Works could

not produce the necessary documentation required by the AG. Hence, expenditure on all capital projects of the department was declared as irregular," he said.

As a result, the department has now taken over the management of all new projects, "to avoid this irregular expenditure on these new projects".

Lekgethwane denied that there were any problems with the management of medical waste or expired drugs, saying that in a separate report, "the auditor general has issued a positive audit opinion on our medical waste procedure such that our system has been recommended for bench marking to other provinces".

dianne.hawker@inl.co.za
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