NATIONAL HEALTH
LABORATORY SERVICE

# ANNUAL REPORT

## 2023-2024

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NATIONAL HEALTH LABORATORY SERVICE

# FINANCIAL HIGHLIGHTS (2023-2024)

The NHLS has recorded a **net cash inflow of R888 million** for 2023-2024.

The NHLS **recorded an increase in cash and cash equivalents** of R572 million for 2023-2024 financial year.

The NHLS revenue grew from R12.2 billion to **R12.4 billion, which constitutes 1% increase.**

The NHLS has **maintained strong financial viability** and enhanced its cash reserves.

The total number of diagnostic tests performed in all **pathology disciplines increased from 110,583,512 in the financial year 2022-2023 to 114,495,122** in the current reporting period.

**NHLS' liquidity ratio has improved from 4:1 in the 2022-2023 financial year to 6:1** in the period under review.

The **pass rate** for registrars training to be pathologists continues to increase from **43%** in 2019 to **67%** by 2023.

The NICD provided comprehensive support in response to the **Mpox outbreak** in South Africa, which included referral diagnostic services and surveillance for Mpox.

# NON-FINANCIAL HIGHLIGHTS

## (2023-2024)

NHLS **achieved 64% SANAS accreditation** ISO 15189: 2022 compared to 58% in the previous year.

The NIOH provided **street reclaimers** with health and safety training to enhance their awareness of work environment hazards and how to protect themselves.

**The water waste and environmental surveillance (WES) had expanded** the scope of testing from SARS_CoV2 to other vaccine-preventable pathogens.

**Blood alcohol test backlogs were cleared in** Cape Town and Pretoria Forensic Chemistry Laboratories.

NIOH is the **WHO Collaborating Centre** for Occupational Health in Sub-Saharan Africa and has maintained its status for the 17th consecutive year.

Out of the nine academic laboratories ready for migration, **four were successfully migrated to SANREN**.

# PART A

## GENERAL INFORMATION

# 1. PART A: GENERAL INFORMATION

## 1.1. GENERAL INFORMATION

| | |
|---|---|
| **Registered name:** | National Health Laboratory Service (NHLS) |
| **Legal status:** | Schedule 3A Public Entity |
| **Practice number:** | PR5200296 |
| **Registered office address:** | 1 Modderfontein Road, Sandringham, Johannesburg, 2000 |
| **Postal address:** | Private Bag X8 Johannesburg 2131 |
| **Telephone number:** | 011 386 6000 |
| **Email address:** | enquiries@nhls.ac.za |
| **Website address:** | http://www.nhls.ac.za |
| **Company Secretary:** | Adv Mpho Mphelo/Ms Violet Gabashane (Acting) |
| **External auditors:** | Nexia SAB&T |
| **Bankers:** | First National Bank Limited, Rand Merchant Bank Limited, Investec Limited and Nedbank Limited |

## 1.2. ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| **AAR** | Academic Affairs and Research |
| **AARQA** | Academic Affairs, Research and Quality Assurance |
| **AFP** | Acute Flaccid Paralysis |
| **AFS** | Annual Financial Statements |
| **AGSA** | Auditor-General of South Africa |
| **AIA** | Approved Inspection Authority |
| **AMR** | antimicrobial resistance |
| **APP** | Annual Performance Plan |
| **ARC** | Audit and Risk Committee |
| **ART** | Anti-retroviral Treatment |
| **ARV** | Anti-retroviral |
| **ASLM** | African Society for Laboratory Medicine |
| **AST** | abstract syntax tree |
| **AUDA-NEPAD** | African Union Development Agency-New Partnership for Africa's Development |
| **BBBEE** | Broad Based Black Economic Empowerment |
| **B. Com** | Bachelor of Commerce |
| **BDQ** | Bedaquiline |
| **BDQ-R** | BDQ-resistant |
| **BIU** | Business Intelligence Unit |
| **BLUC** | Blood Users Committee |
| **B.Sc.** | Bachelor of Science |
| **CAPCTM** | Cobas Ampliprep Cobas Taqman |
| **CD4** | Cluster of Differentiation 4 |
| **CDC** | Centers for Disease Control and Prevention |
| **CDW** | Central Data Warehouse |
| **CEO** | Chief Executive Officer |
| **CEZPD** | Centre for Emerging Zoonotic and Parasitic Diseases |
| **cgMLST** | core-genome multilocus sequence typing |
| **CHARM** | Centre for Healthcare-Associated Infections, Antimicrobial Resistance and Mycoses |
| **CHC** | Community Health Centre |
| **CHIVSTI** | Centre for HIV and STIs |
| **CLC** | Classification and Labelling of Chemicals |
| **CMSA** | Colleges of Medicine in South Africa |
| **COVID-19** | SARS-CoV-2 Coronavirus |
| **CoViNet** | Coronavirus Network |
| **CQI** | Continuous Quality Improvement |
| **CrAg** | Cryptococcal Antigen |
| **CRDM** | Centre for Respiratory Diseases and Meningitis |
| **CSIR** | Council for Scientific and Industrial Research |
| **CTB** | Centre for Tuberculosis |
| **CUs** | Comprehensive Universities |
| **CVI** | Centre for Vaccines and Immunology |
| **DAC** | Diagnostic Advisory Committee |
| **DBB** | Division Biosafety and Biosecurity |
| **DEL** | Department of Employment and Labour |
| **DMP** | Diagnostic Media Products |
| **DoH** | Department of Health |

| | |
|---|---|
| **DPHSR** | Division for Public Health, Surveillance and Response |
| **DR-TB** | Drug-resistant TB |
| **DUT** | Durban University of Technology |
| **DTM&H** | Diploma in Tropical Medicine and Hygiene |
| **ECHO** | Extension for Community Healthcare Outcomes |
| **ECM** | Enterprise Content Management |
| **EDCTP** | European and Developing Countries Clinical Trails Partnership |
| **EDRWeb** | Electronic Drug-Resistant Tuberculosis Register |
| **eGK** | electronic gatekeeping |
| **EGK or ECK** | Electrocardiogram |
| **e-GISRS** | expanded WHO Global Influenza Surveillance and Response System |
| **EID** | Early Infant Diagnosis |
| **EOC** | Emergency Operations Centre |
| **EPI** | Expanded Programme for Immunisation |
| **ERM** | Enterprise Risk Management |
| **ERP** | Enterprise Resource Planning |
| **EXCO** | Executive Management Committee |
| **FCL** | Forensic Chemistry Laboratory |
| **FCP(SA)** | Fellowship of the College of Physicians of South Africa |
| **FCLs** | Forensic Chemistry Laboratories |
| **FFCH (CM) (SA)** | Fellow of the Faculty of Community Health IN South Africa |
| **FinCom** | Finance Committee |
| **FIND** | The Foundation for Innovative New Diagnostics |
| **FLQ** | fluoroquinolone |
| **FLQ-S** | FLQ-susceptible |
| **GFO** | Grants Finance Office |
| **GHS** | Globally Harmonized System |
| **GLASS** | Global Antimicrobial Resistance and Use Surveillance System |
| **GPC** | Greenpoint Complex |
| **GRAP** | Generally Recognised Accounting Practice |
| **GSEC** | Governance and Social Ethics Committee |
| **GSH** | Groote Schuur Hospital |
| **GPC** | Greenpoint Complex |
| **HCA** | Hazardous Chemical Agents |
| **HCW** | Health Care Workers |
| **HIV PCR** | Human Immunodeficiency Virus – Polymerase Chain Reaction |
| **HIV VL** | Human Immunodeficiency Virus Viral Load |
| **HIV** | Human Immunodeficiency Virus |
| **HoD** | Head of Department |
| **HPC** | high-performance computing |
| **HPCSA** | Health Professions Council of South Africa |
| **HPV** | Human Papillomavirus |
| **HIS** | Hyperspectral Imaging System |
| **HR** | Human Resources |
| **HSRC** | Human Sciences Research Council |
| **HTA** | Health Technology Assessment |
| **IALCH** | INkosi Albert Luthuli Central Hospital |
| **IAPC** | International Agency for Research in Cancer |
| **IARC-GICR** | International Agency for Research in Cancer – Global Initiative for Cancer Registry Development |

| | |
|---|---|
| **ICT** | Information and Communication Technology |
| **ILI** | Influenza-like illness |
| **IMS** | Intern Medical Scientists |
| **IPC** | Infection, Prevention and Control |
| **IRBA** | Independent Regulatory Board for Auditors |
| **ISO** | International Organisation for Standardization |
| **ISSN** | International Standard Serial Number |
| **IVDs** | In-vitro Devices |
| **JST Hospital** | Job Shimankana Tabane Provincial Hospital |
| **KEH** | King Edward Hospital |
| **KPAs** | Key Performance Area |
| **K-Project Funding** | Kick-start Project Funding |
| **LabCop** | Laboratory Systems Strengthening Community of Practice |
| **LEAD** | Laboratory Engineered and Accelerated Diagnostics |
| **MBA** | Master of Business Administration |
| **MBBCh** | Bachelor of Medicine and Bachelor of Surgery |
| **MBChB** | Bachelor of Medicine and Bachelor of Surgery |
| **MBOD** | Medical Bureau for Occupational Diseases |
| **MCDS** | Minimum Clinical Data Set |
| **MPH** | Master in Public Health |
| **MPLS** | Multiprotocol Label Switching |
| **MSc** | Master of Sciences |
| **MSI** | Medical Scientist Interns |
| **MTBC** | Mycobacterium Tuberculosis Complex |
| **MTEF** | Medium-Term Expenditure Framework |
| **MTSF** | Medium-Term Strategic Framework |
| **MUT** | Mangosuthu University of Technology |
| **NAPC** | National Academic and Pathology Committee |
| **NAPHISA** | National Public Health Institute of South Africa |
| **NCR** | National Cancer Registry |
| **NDoH** | National Department of Health |
| **NEDLAC** | National Economic Development and Labour Council |
| **NGO** | non-governmental organisation |
| **NGS** | next-generation sequencing |
| **NHA** | National Health Act |
| **NHI** | National Health Insurance |
| **NHLS** | National Health Laboratory Service |
| **NHRC** | National Health Research Committee |
| **NIC** | National Influenza Centre |
| **NICD** | National Institute for Communicable Diseases |
| **NIH** | National Institutes of Health |
| **NIOH** | National Institute for Occupational Health |
| **NMCs** | Notifiable Medical Conditions |
| **NMCSS** | Notifiable Medical Conditions Surveillance System |
| **NNRTI** | Non-Nucleoside Reverse Transcriptase Inhibitors |
| **NPP** | National Priority Programmes |
| **NRTI** | Nucleoside Reverse Transcriptase Inhibitors |
| **NTDs** | Neglected Tropical Diseases |
| **NTP** | National TB Programme |

| | |
|---|---|
| **OECD** | Organisation for Economic Co-operation and Development |
| **OHASIS** | Occupational Health and Safety Information System |
| **OHS** | Occupational Health and Safety |
| **OHTA** | Occupational Hygiene Training Association |
| **OPCO** | Executive Operational Committee |
| **ORU** | Outbreak Response Unit |
| **OTL** | Outstanding Test List |
| **PAIA** | Promotion of Access to Information Act |
| **PathRed** | Pathology Research and Development Congress |
| **PCR** | Polymerase Chain Reaction |
| **PDL** | Programmed death ligand |
| **pDST** | phenotypic drug susceptibility testing |
| **PEPFAR** | The U.S. President's Emergency Plan for Aids Relief |
| **PET** | Provincial Epidemiology Team |
| **PFMA** | Public Finance Management Act |
| **PHC** | Primary Health Care |
| **PhD** | Doctor of Philosophy |
| **PI** | protease inhibitors |
| **PMS** | Post market surveillance |
| **POCT** | Point-of-care Testing |
| **POPI** | Protection of Personal Information |
| **PPP** | Performance Pay Progression |
| **PrEP** | pre-exposure prophylaxis |
| **PTSs** | Proficiency Testing Schemes |
| **QA** | Quality Assurance |
| **QMS** | Quality Management System |
| **RCPA** | Royal College of Pathologists of Australia |
| **R&D** | Research and Development |
| **RfA** | results for actions |
| **RFQ** | request for quotation |
| **RHRC** | Remuneration and Human Resources Committee |
| **RIC** | Research and Innovation Committee |
| **RVF** | Rift Valley Fever |
| **SABSSM** | South African National HIV Prevalence, Incidence, Behaviour, and Communication Survey |
| **SAHPRA** | South African Health Products Regulatory Authority |
| **SAIMR** | South African Institute for Medical Research |
| **SAIOH** | Southern African Institute for Occupational Health |
| **SANAS** | South African National Accreditation System |
| **SANBD** | National and Regional Burden of Disease |
| **SANREN** | South African Research Network |
| **SANS** | South African National Standards |
| **SAPS** | South African Police Service |
| **SARS-Cov-2** | Severe Acute Respiratory Syndrome Coronavirus 2 |
| **SASOHN** | South African Society of Occupational Health Nursing Practitioners |
| **SASOM** | South African Society of Occupational Medicine |
| **SAVP** | South African Vaccine Producers |
| **SCF** | Sequencing Core Facility |
| **SCM** | Supply Chain Management |
| **SHE** | Safety Health and Environment |

| | |
|---|---|
| **SLA** | Service Level Agreement |
| **SLMTA** | Strengthening Laboratory Management Toward Accreditation |
| **SMS** | short message service |
| **STHs** | Soil-transmitted Helminthic Infections |
| **SVPL** | Special Viral Pathogens Laboratory |
| **TAG-CO-VAC** | Technical Advisory Group on COVID-19 Vaccine Composition |
| **TAG-VE** | Technical Advisory Group on SARS-CoV-2-Virus Evolution |
| **TAT** | Turnaround time |
| **TB** | Tuberculosis |
| **TB-DR** | Tuberculosis – Drug Resistant |
| **TBH** | Tygerberg Hospital |
| **TB-NAAT** | TB-nucleic acid amplification tests |
| **TTR** | Teaching, Training and Research |
| **TUTT** | Targeted universal testing for TB |
| **UoT** | University of Technology |
| **USA** | United States of America |
| **USAID** | United States Agency for International Development |
| **VHFs** | Viral Haemorrhagic Fevers |
| **VLS** | viral load suppression |
| **VOCs** | variants of concern |
| **WGS** | whole genome sequencing |
| **WHC** | Women's Health Connection |
| **WHO** | World Health Organisation |
| **Wits** | University of the Witwatersrand |
| **WRULDs** | Work-related Upper Limb Disorders |
| **WSP** | Workplace Skills Programme |
| **XDR-TB** | Extensivity drug resistant – tuberculosis |
| **XRD** | X-ray Diffraction |

# 1.3. FOREWORD BY THE CHAIRPERSON

**Prof Jeffrey Mphahlele**

## INTRODUCTION

I am honoured to present my inaugural Annual Report for the 2023-2024 financial year as the newly appointed Chairperson of the National Health Laboratory Service (NHLS) Board. It is important to note that I previously held the position of vice chairperson under Prof Eric Buch, whose second term has recently concluded.

As South Africans, we must recognise and appreciate this organisation's role in equalising access to laboratory medicine for those with medical aid and the millions of indigent individuals in our country.

The NHLS has demonstrated resilience over time and effectively addressed various challenges, emerging more robust. We have focused on supporting and guiding the organisation in achieving its mission. It is essential to acknowledge that the NHLS manages an extensive network of laboratories that caters to over 85% of the population. The services provided by the NHLS significantly influence clinical outcomes and patient diagnoses, accounting for approximately 70% of these critical elements. Therefore, the role of the NHLS is indispensable to the public healthcare system in South Africa, as it ensures that accurate and timely laboratory results substantially impact medical decision-making and treatment strategies.

Therefore, this report provides a detailed overview of the NHLS' service delivery. As NHLS Board members, we are responsible for ensuring the achievement of the organisation's targets by setting strategic direction, providing rigorous oversight, and advocating for service delivery.

The NHLS' financial and operational performance is crucial to sustaining its activities and achieving its strategic objectives. Notably, the NHLS achieved strong financial results and service delivery outcomes during the 2023-2024 financial year.

This report outlines several key accomplishments from the previous year. The organisation has successfully implemented advanced diagnostic technologies and expanded its laboratory infrastructure to accommodate the increasing service demand. Our commitment to training and professional development has resulted in a highly skilled workforce capable of providing superior diagnostics and patient care.

I take pride in leading the NHLS Board, which upholds sound governance principles. However, after six consecutive financial years, the NHLS has received a qualified audit opinion from the Independent Auditors. The Board and the NHLS leadership team are committed to taking swift and decisive action to address this and ensure improvements. In accordance with the Public Finance Management Act (PFMA), the NHLS developed an Annual Performance Plan (APP) that the Minister of Health duly approved. To this end, the NHLS reports an achievement rate of 72% against the objectives outlined in the APP, representing a key deliverable within the Performance Agreement established between the Board, the Chief Executive Officer, and the Executive Authority.

## ACKNOWLEDGEMENT

In recognition of the results that the organisation achieved in the period under review, I would like to thank the former Minister of Health, Dr Joe Phaahla, and his former Deputy Minister, Dr Sibongiseni Dhlomo, for the unwavering support that the NHLS received at every critical point in ensuring that it executes its legislative mandate. Your support was the catalyst that kept the NHLS going.

Additionally, I sincerely thank our former Board Chairperson, Prof Buch, and former Chief Executive Officer, Dr Kamy Chetty, for their adept leadership in guiding the NHLS to financial stability during her tenure. Their leadership has established a robust foundation for our ongoing success.

I want to extend my warmest welcome and congratulations to the newly appointed Minister of Health, Dr Aaron Motsoaledi, and his Deputy Minister, Dr Joe Phaahla.

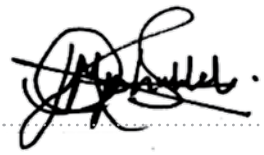
I am also pleased to welcome our new Chief Executive Officer, Prof Koleka Mlisana, who officially assumed her role on 1 May 2024. Prof Mlisana brings considerable experience and expertise, and I am confident that, under her leadership, the NHLS will achieve new milestones.

I express my profound gratitude to my fellow Board members for their steadfast commitment to providing effective oversight as the NHLS advances its mission. Your strategic insights and dedication have proven invaluable to our efforts.

Finally, I sincerely thank the NHLS Executive Management and staff for their exceptional resilience and unwavering dedication throughout the year. Your steadfast determination has upheld the NHLS' collective vision and ensured our continued excellence in every aspect of our operations.

## CONCLUSION

Regardless of the future, South African people and the public healthcare system can be confident that they can always rely on the NHLS. The NHLS will maintain diligence through robust checks and balances and ensure service delivery continues. The financial results also show continuous signs of growth, which means that the financial support and prudence exercised over the years have produced positive results.



**Prof Jeffrey Mphahlele**
**NHLS Chairperson of the Board**
**Date: 06 December 2024**

# 1.4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

**Prof Koleka Mlisana**

## INTRODUCTION

It is an honour to join the Board in presenting my first NHLS Annual Report and Audited Financial Statement for the fiscal year 2023-2024 as the NHLS CEO. As the Chairperson stated earlier, this report presents a complete account of the NHLS' performance in carrying out its public mandate, highlighting significant achievements and addressing issues faced during the financial year under review.

As the Board and the NHLS leadership team, we are concerned about the organisation receiving a qualified audit. While this result was not what we expected, we are fully committed to addressing the identified challenges and taking proactive steps to improve our financial governance and processes. Priority will be given to establishing proper systems and document management processes to improve our performance.

I am pleased to report that the NHLS' financial position continues to be strong compared to the previous financial year. Whilst the NHLS started the 2023-2024 financial year with sufficient cash reserves; financial prudence remains critical in the current financial climate. Cost-cutting efforts, to name a few, are among those aimed at discretionary spending that have been implemented and will continue in the future.

## FINANCIAL OVERVIEW

I am pleased to report that the NHLS remains in a strong financial position, supported by a healthy balance sheet at the close of the 2023-2024 reporting period. Our revenue increased from R12.2 billion in 2022-2023 to R12.4 billion in 2023-2024, reflecting steady growth and resilience. Revenue from laboratory testing accounted for 93% (R11.5 billion) of total income, underscoring the organisation's robust operational performance.

The NHLS has strengthened its financial viability and enhanced its cash reserves, with the liquidity ratio improving significantly from 4:1 in the 2022-2023 financial to 6:1 in the period under review. Direct material costs were managed effectively, constituting 47% of the cost of sales compared to 51% in the previous year.

The NHLS remains committed to maintaining financial discipline, enhancing operational efficiency, and ensuring the highest standards of accountability in the future.

## SERVICE DELIVERY

The total number of diagnostic tests performed across all pathology disciplines increased from 110,583,512 in 2022-2023 to 114,495,122 during the reporting period. The top five tests —Creatinine, Viral Load, Full Blood Count, Profile Discrete

Analyzer (U&E), and Alanine Transaminase-A — accounted for 37,197,885 (35.5%) tests, of the total conducted in the review period. This underscores the critical role of laboratory diagnostics in the clinical management of patients, resulting in improved healthcare outcomes. We aim to provide high-quality laboratory services with continuously improving turn-around times for test results to clinicians to enhance patient management.

## THE YEAR AHEAD

Looking ahead, the NHLS is committed to redefining its operations to ensure excellence in pathology services, focusing on patient-centred care and employee engagement. This transformation is anchored in several strategic initiatives:

### Patient-centred service delivery

The NHLS is enhancing service delivery through a hybrid model that balances centralisation and decentralisation where appropriate. This is supported by integrating and automating cutting-edge technologies across disciplines alongside improved logistics and specimen tracking systems. These efforts aim to streamline processes, improve accuracy, and reduce turnaround times, delivering better patient outcomes.

### Employee-centred organisational growth

Recognising the importance of its workforce, the NHLS is building a fit-for-purpose, future-focused organisation to secure a competitive edge over private-sector pathology laboratories. This involves increasing the training of pathologists through multidisciplinary collaboration and partnerships with the private sector. The NHLS is also committed to fostering a positive workplace culture by addressing staff retention through flexible working policies, clear career progression pathways, and comprehensive capacity-building programmes for all staff categories.

### Digitisation of corporate operations

The NHLS is digitising its key corporate functions to enhance efficiency and enable data-driven decision-making. This includes automating forms and processes, leveraging business intelligence, and adopting innovative tools to optimise administrative and operational workflows.

### Laboratory technological advancements

The introduction of cutting-edge technologies is at the forefront of NHLS strategy. Investments in digital pathology, artificial intelligence, next-generation sequencing, rapid diagnostic tests, and point-of-care testing are transforming laboratory operations. The organisation is also adopting automated systems and flexible diagnostic platforms tailored to service needs, ensuring state-of-the-art diagnostic capabilities.

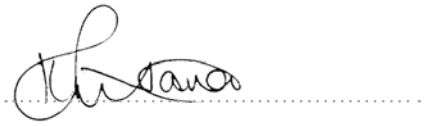
### Revenue growth and sustainability

To ensure long-term sustainability, the NHLS is increasing test volumes by addressing logistical challenges and reducing blood sample rejections. Plans to minimise outsourced tests and develop alternative revenue streams are in progress. Additionally, the NHLS is preparing for the rollout of the National Health Insurance, positioning itself as a cornerstone of South Africa's healthcare infrastructure.

Through these key initiatives, the NHLS seeks to drive innovation, enhance efficiency, and foster a culture of excellence to deliver world-class pathology services.

## ACKNOWLEDGEMENTS

All these accomplishments would not have been possible without the support of our NHLS Board, chaired by Prof Buch, the Executive Committee, my predecessor, Dr Chetty, and the NHLS employees. Similarly, I congratulate the newly appointed Honourable Minister of Health, Dr Motsoaledi, and the Deputy Minister, Dr Phaahla, while bidding farewell to former Deputy Minister, Dr Sibongiseni Dhlomo. I am also grateful for the support of the National Department of Health, the Director-General, Dr Sandile Buthelezi, and Heads of provincial health departments. Thank you to everyone for making NHLS a success.



**Prof Koleka Mlisana**
**Chief Executive Officer**
**Date: 06 December 2024**


HIV - Test: - +

## 1.5. BOARD MEMBERS

**Prof Eric Buch***
Chairperson

**Prof Jeffrey Mphahlele***
Vice-Chairperson

**Prof Koleka Mlisana***
Chief Executive Officer

**Dr Kamy Chetty***
Chief Executive Officer

**Prof Thanyani Mariba**

**Mr Koena Nkoko**

**Mr Michael Sachs**

**Prof Mpho Klass Kgomo**

**Dr Siseko Martin**

** 1. Prof Eric Buch - Term ended 31 October 2024*
*2. Prof Jeffrey Mphahlele - Term commenced 1 November 2024*
*3. Dr Kamy Chetty - Retired 31 March 2024*
*4. Prof Mlisana - Term commenced 1 May 2024*

Mrs Nicolene van Westhuizen

Mrs Penelope Msimango

Dr Lesley Bamford

Mr Nick Buick

Dr Naledzani Ramalivhana

Mr Jonathan Mallett

Prof Tivani Phosa Mashamba-Thompson

Dr Mahlane Phalane

Ms Nyameka Macanda

# 1.6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE NATIONAL HEALTH LABORATORY SERVICE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

- All the information and amounts disclosed in the NHLS Annual Report are consistent with the annual financial statements audited by Nexia SAB&T;
- the annual report is complete, accurate, and error-free;
- the annual report was prepared in accordance with the Annual Report Guidelines as issued by the National Treasury;
- the annual financial statements (Part E) were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), as applicable to the NHLS;
- the Accounting Authority is responsible for the preparation of the annual financial statements and the judgements made on this information;
- the Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information, and the annual financial statements; and
- the external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the NHLS Annual Report fairly reflects the operations, performance information, human resources information, and financial affairs of the NHLS for the financial year ended 31 March 2024.

Yours faithfully

**Prof Jeffrey Mphahlele**
**Vice-Chairperson**
**Date: 06 December 2024**

**Prof Koleka Mlisana**
**Chief Executive Officer**
**Date: 06 December 2024**

# 1.7. OVERVIEW OF THE NATIONAL HEALTH LABORATORY SERVICE

The National Health Laboratory Service (NHLS) is a Schedule 3A national public entity, established in terms of the National Health Laboratory Service Act, No. 37 of 2000, and governed by a Board to provide quality, affordable, and sustainable health laboratory services, training, and research. The former South African Institute for Medical Research (SAIMR), the National Institute for Virology, and the National Centre for Occupational Health amalgamated to establish the National Health Laboratory Service. It is administered per the provisions of the National Health Laboratory Service Act, No. 37 of 2000, the NHLS Rules, and the Public Finance Management Act (PFMA), No. 1 of 1999 (as amended). In 2022, the Forensic Chemistry Laboratories (FCLs), which were part of the Act, were proclaimed and integrated into the NHLS.

Through its public countrywide network of quality-assured diagnostic laboratories, the NHLS is the sole provider of diagnostic pathology services to more than 80% of the South African population. It also provides surveillance support for communicable diseases, occupational health, and cancer.

It has a clear organisational structure consisting of a head office in Sandringham, Johannesburg; six regions (Eastern Cape; Free State and North West; Gauteng; KwaZulu-Natal; Limpopo and Mpumalanga; and Northern and Western Cape); institutes, namely: Forensic Chemistry Laboratories (FCLs); the National Institute for Communicable Diseases (NICD), incorporating the National Cancer Registry (NCR); the National Institute for Occupational Health (NIOH); and a unit called Diagnostic Media Products (DMP); and subsidiary the South African Vaccine Producers (SAVP). SAVP is a wholly owned subsidiary of the NHLS and the only South African manufacturer of antivenom for the treatment of snake, scorpion, and spider envenomation.

The six regions are purposefully designed to ensure that the NHLS plans, agrees on budgets, and monitors laboratory services jointly with provincial health partners, with the intention of laboratory services being embedded in the public health delivery system. The NHLS delivers services for the entire public sector, from academic, provincial, tertiary, regional, and district hospitals to primary healthcare facilities. The level of complexity and sophistication of services increases from peripheral laboratories to central urban laboratories (with specialised surveillance infrastructure existing at specific sites).

The NHLS also has three in-house DMP units that manufacture microbiological culture media and reagents for use in clinical diagnostic laboratories. The diagnostic media products are supplied internally to NHLS laboratories as well as externally to private laboratories and some laboratories within the African continent. During the financial year, the DMP site in Johannesburg was renovated and media products were bought from the private sector. Going forward, the NHLS intends to enhance and integrate these units under single management and strengthen them to become revenue-generating units.

# 1.8. THE NHLS VISION, MISSION AND VALUES

## VISION

To provide high-quality pathology and laboratory services that are clinically efficient and cost-effective.

## MISSION

To provide pathology and laboratory services through competent professionals and state-of-the-art technology, supported by evidence-based research, training, and innovation to enhance integrated service delivery to meet the needs of the population.

## VALUES

The following values form the guiding principles that govern and align the behaviour of all NHLS employees:

| | |
|---|---|
| **CARE** | The primary goal of the NHLS is to ensure the overall care and well-being of patients by supporting a strong and effective public healthcare system. |
| **UNITY OF PURPOSE, SHARED VISION AND TEAMWORK** | All employees should be united by a common vision and support each other to contribute to a beneficial and safe working environment. |
| **SERVICE EXCELLENCE** | This represents being committed to working with customers and building good relationships with them by understanding their needs, responding quickly, and providing appropriate solutions. |
| **TRANSFORMATION** | We will invest in the professional growth of staff by sharing knowledge and experience, peer networking, education through training, and seeking opportunities to develop. |
| **INNOVATION** | We are committed to fostering an environment that supports research, with particular emphasis on innovative approaches to diagnostics, surveillance, and the strengthening of health systems to support national programmes. |
| **INTEGRITY** | We will set and achieve goals, consistently delivering business results while complying with standards and meeting deadlines. |
| **CONTINUOUS IMPROVEMENT** | The constant drive for process improvement is the key to a successful organisation. The NHLS needs to create a culture of continuous improvement by empowering ALL team members within the organisation to continuously seek opportunities for improvement. |

# 1.9. LEGISLATIVE AND OTHER MANDATES

The legislative mandate of the NHLS is derived from the Constitution, the National Health Act, No. 61 of 2003 (NHA), the NHLS Act No. 37 of 2000, and several laws, regulations, and policies issued by Parliament.

## CONSTITUTIONAL MANDATE

The NHLS is guided by the following sections and schedules, among others, in terms of constitutional provisions:

1. The Republic of South Africa's 1996 Constitution requires the state to gradually realise socio-economic rights, including access to healthcare;

2. Section 27 of the Constitution stipulates the following regarding healthcare, food, water, and social security:

   a). Everyone has the right to have access to the following:

      i) healthcare services, including reproductive healthcare;

      ii) sufficient food and water; and

      iii) social security, including appropriate social assistance in instances where they are unable to support themselves and their dependents.

   b). The state must take reasonable legislative and other measures within its available resources to achieve the progressive realisation of each of these rights; and

   c). No one may be refused emergency medical treatment.

## THE NATIONAL HEALTH ACT, NO. 61 OF 2003

This Act provides a framework for a structured and uniform health system within South Africa, considering all the obligations imposed by the Constitution and other laws on the national, provincial and local governments regarding health services.

The objectives of the NHA are to:

- unite the various elements of the national health system in pursuit of a common goal to actively promote and improve South Africa's national health system;
- provide for a system of cooperative governance and management of health services within national guidelines, norms, and standards to guide each province, municipality, and health district to address questions of health policy and the delivery of quality healthcare services;
- establish a health system based on decentralised management, principles of equity, efficiency, sound governance, internationally recognised standards of research, and a spirit of inquiry and advocacy that encourages participation;
- promote a spirit of cooperation and shared responsibility among public and private health professionals and providers and other relevant sectors within the context of national, provincial, and district health plans; and
- create a foundation for the healthcare system that must be interpreted and implemented alongside other laws and policies that relate to health.

## THE NATIONAL HEALTH LABORATORY SERVICE ACT, NO. 37 OF 2000

This Act mandates the NHLS to provide cost-effective and efficient health laboratory services to all public sector healthcare providers; any other government institution inside and outside of South Africa that may require such services; and any private healthcare provider that requests such services. The act also mandates the NHLS to support health research and provide training for health science education.

## CRIMINAL PROCEDURE ACT, NO. 51 OF 1977

The following paragraphs of Section 212 specifically applies:

- (4) (a) (v) Whenever any fact established by any examination or process requiring any skill in biochemistry, in metallurgy, in microscopy, in any branch of pathology or in toxicology is or may become relevant to the issue at the criminal proceedings, a document purporting to be an affidavit made by a person who in that affidavit alleges that he or she is in the service of the State or of a provincial administration or any university in the Republic or any other body designated by the Minister for the purposes of this subsection by notice in the Gazette, and that he or she has established such fact by means of such an examination or process, shall, upon its mere production at such proceedings be prima facie proof of such fact: Provided that the person who may make such affidavit may, in any case in which skill is required in chemistry, anatomy or pathology, issue a certificate in lieu of such affidavit, in which event the provisions of this paragraph shall mutatis mutandis apply with reference to such certificate.
- (8) (a) In criminal proceedings in which the collection, receipt, custody, packing, marking, delivery or despatch of any fingerprint or body-print, article of clothing, specimen, bodily sample, crime scene sample, tissue (as defined in section 1 of the National Health Act), or any object of whatever nature is relevant to the issue, a document purporting to be an affidavit made by a person who in that affidavit alleges - (i) that he or she is in the service of the State or of a provincial administration, any university in the Republic or anybody designated by the Minister under subsection (4).

## MEDICINES AND RELATED SUBSTANCES ACT, NO. 101 OF 1965

The Medicines and Related Substances Act, which was amended by Amendment Act, 2008 (Act No. 72 of 2008) and Amendment Act, 2015 (Act No. 14 of 2015) and enacted in May 2017, enabled, among others, the establishment of the South African Health Products Regulatory Authority (SAHPRA), the licensing of manufacturers and importers of active pharmaceutical ingredients, and the regulation of medical devices.

The purpose of the Act, among others, is to:

- Provide for the registration of medicines and related substances intended for human and for animal use;
- Provide for the control of medicines and scheduled substances and medical devices; and
- Provide for the licensing of certain persons to compound, dispense, or manufacture medicines and medical devices and to act as wholesalers or distributors.

## NATIONAL ROAD TRAFFIC ACT, NO. 93 OF 1991

Section 65 specifically applies:

(1) No person shall on a public road -
  (a) drive a vehicle; or
  (b) occupy the driver's seat of a motor vehicle the engine of which is running, while under the influence of intoxicating liquor or a drug having a narcotic effect.

(2) No person shall on a public road -
  (a) drive a vehicle; or
  (b) occupy the driver's seat of a motor vehicle the engine of which is running, while the concentration of alcohol in any specimen of blood taken from any part of his or her body is not less than 0,05 gram per 100 millilitres, or in the case of a professional driver referred to in section 32, not less than 0,02 gram per 100 millilitres.

(3) If, in any prosecution for an alleged contravention of a provision of subsection (2), is proved that the concentration of alcohol in any specimen of blood taken from any part of the body of the person concerned was not less than 0,05 gram per 100 millilitres.

At any time within two hours after the alleged contravention, it shall be presumed, in the absence of evidence to the contrary, that such concentration was not less than 0,05 gram per 100 millilitres at the time of the alleged contravention, or in the case of a professional driver referred to in section 32, not less than 0,02 gram per 100 millilitres, it shall be presumed, in the absence of evidence to the contrary, that such concentration was not less than 0,02 gram per 100 millilitres at the time of the alleged contravention.

## INQUEST ACT, NO. 58 OF 1959

The act provides for the holding of inquests in cases of deaths or alleged. deaths apparently occurring from other than natural causes and for matters incidental thereto, and to repeal the Fire Inquests Act, 1883 (Cape of Good Hope) and the Fire Inquests Law, 1884 (Natal).

## FOODSTUFF, COSMETICS AND DISINFECTANTS ACT, NO. 54 1972

The act provides for the regulation of foodstuffs, cosmetics, and disinfectants and quality standards that must be complied with by manufacturers as well as the importation and exportation of these items.

## PROTECTION OF PERSONAL INFORMATION ACT, NO. 4 OF 2013

The Protection of Personal Information (POPI) Act aims to bring South Africa in line with existing data protection laws around the world.

The purpose of this Act is to, among others to:

- Promote the protection of personal information processed by public and private bodies.
- Introduce certain conditions to establish minimum requirements for the processing of personal information.
- Provide for the establishment of an Information Regulator to exercise certain powers and to perform certain duties and functions in terms of this Act and the Promotion of Access to Information Act.
- Regulate the flow of personal information across the borders South Africa.

The POPI Act applies to all private and public organisations that process personal information, referring to information that is processed electronically, recorded manually and used in both health and public authority records. With specific reference to Sections 19 to 22 the Act differentiates between a Responsible Party and an Operator Party and allocate different responsibilities to these parties. In any agreement it is essential to clarify these roles upfront and to ensure that all parties comply not only with the general provisions of the Act, but also with specified responsibilities.

POPI act obligations apply throughout the full period that the organisation is processing personal data. So do the rights of individuals in respect of personal data. Disposal of data is included in the POPI act – data must be disposed of securely and in a way which does not prejudice the interests and rights of the individual concerned.

The Act deals extensively with the following issues:

- Data collection;
- Data preservation;
- Third party access;
- Compromised data; and
- Compliance.

## PROMOTION OF ACCESS TO INFORMATION ACT, NO. 2 OF 2000

The purpose of the Promotion of Access to Information Act (PAIA) is to promote the right of access to information, to foster a culture of transparency and accountability in South Africa. Furthermore, PAIA is aimed at encouraging an open democracy where individuals from all walks of life are empowered to engage with government and participate in decisions which affect their lives. The introduction of the POPI Act necessitated several changes to this Act but did not fundamentally change its principles or content. Access to health information is covered in Sections 30 (public) and 61 (private) of the Act, while Sections 34 (public) and 63 (private) deals with the mandatory protection of privacy of a third party who is natural person. The Act provides for access requests through an Information Officer who is obligated to comply with the protection clauses in the Act.

## PUBLIC FINANCE MANAGEMENT ACT, NO. 1 OF 1999 (AS AMENDED)

The Act mandates to regulate financial management in the national government; to ensure that all revenue, expenditure, assets, and liabilities of that government are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in that government; and to provide for matters connected therewith.

The object of this Act is to secure transparency, accountability and sound management of the revenue, expenditures, assets, and liabilities of the institutions to which this Act applies.

## ADDITIONAL GOVERNANCE CONTEXTS

The NHLS is required to comply, among other things, with the following additional prescripts that form part of its governance context:

- Preferential Procurement Framework Act, No. 5 of 2000 Companies Act, No. 71 of 2008;
- General rules established in terms of Section 27 of the NHLS Act;
- Protocol on Good Governance in the Public Sector;
- King IV Code of Corporate Governance;
- Treasury Regulations issued in terms of PFMA; and
- All laws that apply to the health sector.

## POLICY INITIATIVES

As articulated in its Strategic Plan 2020–2025, the NHLS is committed to supporting the following:

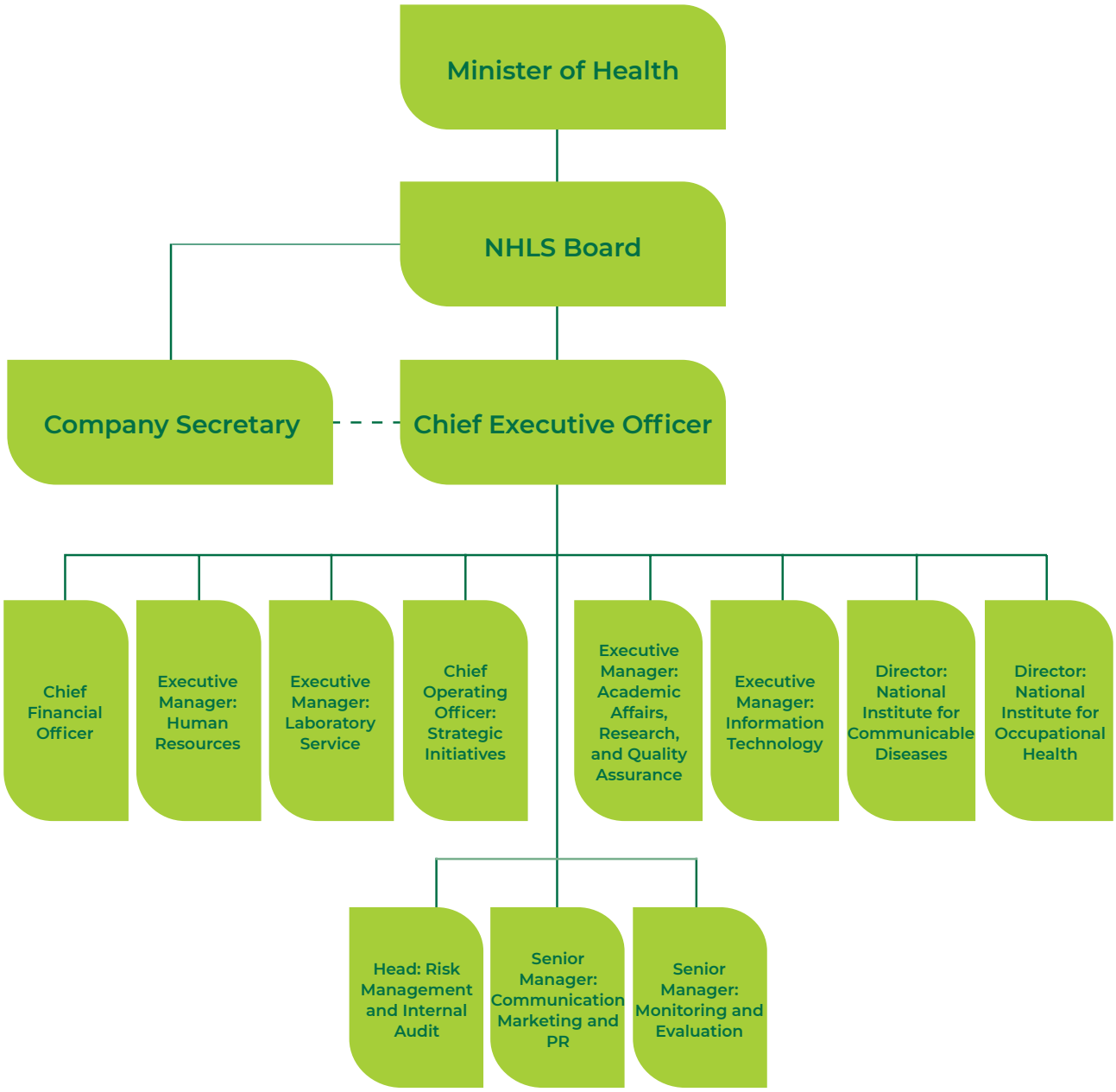
National Health Insurance (NHI) will cover a defined repertoire of pathology services aligned with the package of services required per level of care. The pathology services will be delivered at the public healthcare level, as well as at higher levels of care as defined by the NHLS Act, and in line with the NHA. The latter requires the establishment, monitoring, and enforcement of quality control standards applicable to pathology services to ensure patient safety.

The National Public Health Institute of South Africa (NAPHISA) has the following functions:

- communicable diseases;
- the National Cancer Registry;
- occupational health;
- non-communicable diseases; and
- injury and violence prevention.

It is anticipated that the NICD, including NCR, and NIOH will be incorporated into NAPHISA.

## 1.10. HIGH-LEVEL ORGANISATIONAL STRUCTURE



# PART B

## PERFORMANCE INFORMATION

# 2. PART B: PERFORMANCE INFORMATION

**Ms Violet Gabashane**
**Senior Manager Evaluation and Monitoring**

## 2.1. AUDITOR'S REPORT – PRE-DETERMINED OBJECTIVES

The independent auditor performed the necessary audit procedures on the performance information of the NHLS to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance of the NHLS against its pre-determined objectives is included in the audit report, with findings being reported under the 'Report on the audit of the annual performance report' heading in the report on a section of the auditor's report on pages 157-170.

## 2.2. OVERVIEW OF THE NHLS PERFORMANCE IN THE 2023-2024 FINANCIAL YEAR

The NHLS is committed to continuously providing affordable and high-quality services in a timely manner. It has implemented a monitoring system to provide performance information that enables the organisation to track its progress in achieving its planned strategic goals, outcomes and outputs. In addition, the NHLS considers planning, budgeting, implementation, monitoring and reporting as the key components of the value chain to deliver an efficient and effective service to the people of South Africa. It also improves accountability by enabling stakeholders and interested parties to track progress, identify the scope of improvement plans and better understand the organisation (Framework Performance of Information: National Treasury).

Our strategic plan is based on the NHLS mandate to provide cost-effective and efficient health laboratory services to all public sector healthcare providers, support health research and provide training for health science education. This is the foundation on which the strategic plans and working principles are built. Staff are passionate about delivering value to South Africans based on this fundamental mission. The NHLS has achieved 72% of the planned annual targets, an improvement of 2% compared to the financial year 2022-2023.

# 2.3. ORGANISATIONAL ENVIRONMENT

## 2.3.1. SERVICE DELIVERY ENVIRONMENT

The NHLS invested greatly in the procurement of laboratory equipment to ensure the modernisation of the laboratory systems. With the awarding of large tenders for the replacement of TB, CD4, and HIV viral load and chemistry analysers, there have been challenges related to turnaround time. This is a much-needed disruption that will result in improved quality and turnaround times.

Concerning the Forensic Chemistry Laboratories, it is important to note that the NHLS inherited huge backlogs with the integration of FCLs. By implementing the NHLS efficient processes, the Pretoria and Cape Town laboratories were able to eradicate the backlog in blood alcohol sample testing. The Johannesburg laboratory reduced the backlog in blood alcohol sample testing, and plans are in place to eradicate the backlog. Despite efforts by the FCLs, there is still a huge backlog in toxicology.

Maintaining ISO quality standards is of utmost importance as it assures confidence in the services offered. The transition from the old SANAS standards to the new ISO 15189:2022 standard to provide accreditation of laboratories was delayed by the SANAS organisation. The anticipated rollout by SANAS took longer than expected. However, there are plans to expedite accreditation in the fiscal year 2024-2025. Staff has been trained on the implementation of the new SANAS standard in preparation of the fast tracking of accreditation of the laboratories.

As the National Health Insurance (NHI) becomes a reality, the NHLS is committed to ensuring that the highest quality standards are attained and maintained; hence, the NHLS continues to accredit the laboratories and participate in all relevant proficiency testing schemes. Laboratories that are not SANAS accredited are continuously subjected to internal quality compliance audits using the ISO 15189 standard.

With financial gains, the NHLS has remained financially stable for the fiscal year 2023-2024.

Persistent challenges with IT network coverage and frequent power outages consistently hampered our operations. These demanded innovative problem-solving and underscored the critical importance of integrating resilience and contingency plans within our organisation. As such, the IT department is actively engaging with MTN to develop permanent solutions to stabilise the network's availability. To mitigate the challenge with uninterrupted electricity supply, the NHLS is exploring the procurement of solar panels for the Sandringham campus and some laboratories where it is possible to install the solar panels.

The shortage of water, particularly in rural areas, has had a significant impact on the ability to carry out continuous testing in chemistry laboratories, as these facilities rely heavily on water for their operations. To mitigate this, the NHLS had to procure water from private suppliers. In addition, the NHLS has a plan to procure water tanks to store water that can be used in cases where there is no water.

# 2.4. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

*There were no key policy developments nor legislative changes that impacted on the NHLS during the reporting period.*

## 2.4.1. PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

The NHLS contributes to better health care for the people of South Africa by providing a rapid, reliable, efficient, and good-quality service delivery at a low cost.

Progress made in achieving the impact statement can be attributed to;

- clinical effectiveness and efficiency and high-quality service;
- accredited of laboratories;
- proper maintenance and upgrade of equipment and infrastructure;
- cost-effective service;
- good governance; and
- provision of relevant IT solutions.

### Medium-Term Strategy Framework

The NHLS is essential to South Africa's health system and contributes significantly to preventing and controlling diseases and improving the nation's health. As such, the NHLS managed to deliver on its mandate despite the challenges caused by COVID-19 during the MTSF (2019–2020 to 2023–2024).

In addition, the NHLS maintained a stable financial status, could pay its liabilities, and continued to exceed the standard liquidity ratio of 2:1. Although the financial performance has improved over the years, the NHLS continues implementing cost-containment measures to ensure future financial stability.

The NHLS has received a qualified audit opinion. Despite this, the NHLS achieved 72% of its set targets in the 2023–2024 financial year compared to 70% in the 2022–2023 financial year.

The NHLS showed an average progressive increase of 3% in test volumes except for 2020–2021, where the volumes dropped because of the COVID-19 pandemic but increased in the following financial year and maintained an average of 3% increase. The National Institute for Communicable Diseases (NICD) continued to play a pivotal role in ensuring prompt interventions regarding communicable disease outbreaks such as COVID-19 in South Africa by providing daily epidemiological updates to the National Department of Health (NDoH) without fail.

Implementing the Total Quality Management System increased the number of SANAS-accredited laboratories to 62%. The NHLS continued to improve the provision of high-quality service in accredited and non-accredited laboratories. We started the Medium-Term Strategic Framework (MTSF) 2020–2025 with eighty (80) SANAS-accredited laboratories. The NHLS progressed to a total of one hundred and thirty-four (134) SANAS-accredited laboratories by the end of the 2023–2024 financial year.

The NHLS will continue to provide high-quality service to South African citizens. Most importantly, we will ensure that the NHLS is strategically positioned as a preferred National Health Insurance (NHI) service provider.

The NHLS had its fair share of challenges during the MTSF, including load-shedding, which impacted the availability of the IT network. The transition from old laboratory equipment to new ones resulted in service delivery disruptions, negatively impacting test turnaround times.

# 2.5. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

## 2.5.1. PROGRAMME 1: LABORATORY SERVICE

### Purpose of the Programme

This programme represents the NHLS' core business, which is to provide cost-effective and efficient health laboratory services to all public sector healthcare providers, any other government institution within and outside of South Africa that may require such services, and any private healthcare provider that requests such services, as mandated by the NHLS Act. The NHLS must provide equitable, comprehensive, high-quality, timely and cost-effective pathology services that will improve patient care.

The NHLS' intention for the Medium-Term Expenditure Framework (MTEF), among others, is to leverage innovation and new technology to improve efficiency. To achieve this, the NHLS must invest in innovative solutions, information technology, digital technology, communication links and logistical services.

With the aim to achieve clinical efficiency and relevance, the NHLS will continue:

- surveillance to drive diagnostic implementation;
- the provision of new diagnostic services including for emerging or re-emerging pathogens;
- targeted training to produce a fit-for-purpose and responsive workforce;
- implementation and validation of state-of-the-art diagnostic testing including for surveillance e.g. Next Generation Sequencing;
- operational research to drive the optimisation and utilisation of laboratory services, including pre-analytical, analytical, and post-analytical factors that may impact quality; and
- the harnessing of big data and bioinformatics to inform a wide range of key strategies, from influencing national and international policy to optimal laboratory network and test repertoire.

| PROGRAMME 1: LABORATORY SERVICE | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/ under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| **Clinical effectiveness and efficiency** | | | | | |
| **Improved turnaround times** | | | | | |
| Percentage of TB GeneXpert tests performed within 40 hours | **91%** | **94%** | **94%** | **0%** | Not applicable |

| PROGRAMME 1: LABORATORY SERVICE | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/ under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| Percentage of CD4 tests performed within 40 hours | **93%** | **95%** | **94%** | **1%** | Ageing equipment and frequent instrument breakdowns.<br>The transition from old to new high-tech instruments resulted in delays in processing specimens. |
| Percentage of HIV viral load tests performed within 96 hours | **95%** | **94%** | **93%** | **1%** | Frequent instrument breakdown.<br>Shortage of reagents.<br>Transition from old equipment to new high-tech equipment resulted in delays in processing specimens.<br>Delay in referral of specimens to testing laboratories. |
| Percentage of HIV PCR tests performed within 96 hours | **93%** | **92%** | **94%** | **2%** | Improved workflow. |
| Percentage of cervical smear screening performed within five weeks | **88%** | **95%** | **98%** | **3%** | Test volumes were lower than anticipated.<br>Active monitoring of the Outstanding Test List (OTL). |
| Percentage of laboratory tests (full blood count) performed within eight hours | **95%** | **95%** | **96%** | **1%** | Improved workflow. |
| Percentage of laboratory tests (urea and electrolytes) performed within eight hours | **91%** | **95%** | **90%** | **5%** | Network downtime.<br>Loadshedding.<br>Delay in referral of tests to testing sites.<br>Aging laboratory equipment. |

| PROGRAMME 1: LABORATORY SERVICE | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/ under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| Percentage of SARS-CoV-2 PCR tests performed within 48 hours | **98%** | **90%** | **93%** | **3%** | Significant decrease in test volumes. |
| **Equitable service coverage** | | | | | |
| Develop and implement a POCT plan | **Not achieved** | **10% implementation of the POCT** | **Not Achieved** | **10%** | The POCT pilot was completed. However, the feasibility and cost-benefit report is pending. Discussions are underway to decide how the rollout will take place. |
| **Improved oversight and access to pathology through technology and innovation** | | | | | |
| Implement digital pathology | **Achieved** | **Implement the pilot** | **Not Achieved** | **Pilot not implemented** | The procurement of the digital pathology solution delayed the process. |

## Linking performance with budget

| Laboratory Services | Audited 2021/22 | Audited 2022/23 | Audited 2023/24 | Budget 2023/24 | Over/Under Expenditure |
|---|---|---|---|---|---|
| | R000 | R000 | R000 | R000 | R000 |
| **Expenses** | | | | | |
| Compensation of employees | 3 695 486 | 3 640 397 | 4 198 360 | 4 400 966 | 202 606 |
| Goods and services | 5 022 803 | 4 186 295 | 5 196 573 | 5 585 743 | 389 170 |

## 2.5.2. PROGRAMME 2: ACADEMIC AFFAIRS, RESEARCH AND QUALITY ASSURANCE

### Purpose of the Programme

The primary purpose of this programme is to help the NHLS strengthen its mandate of maintaining and providing high-quality, assured, and accredited laboratory medicine to the academic platform. Two focus areas within this programme are to ensure that research is conducted to improve service delivery and quality and to ensure national coverage by NHLS pathologists. The aim is to oversee and collaborate with various training institutions that contribute to the developing of qualified and skilled people operating within the scientific field of pathology services.

### Quality Assurance

This sub-programme aims to improve total Quality Management Systems (QMS) within laboratories and support structures to improve the quality of NHLS laboratories' results.

### Academic Affairs

This sub-programme's purpose to support and promote the training and capacity building of all medical laboratory health professionals to ensure the NHLS and the rest of the country have high-quality professional and technical skills in pathology. This mandate strengthens the business case for the sustained development of the NHLS through the increased output of highly trained pathologists, medical scientists, medical technologists, and medical technicians.

### Research and Innovation

This sub-programme aims to create an enabling research environment that promotes multidisciplinary, world-class research and research outputs, allowing the NHLS to contribute to national and global scientific knowledge. The sub-programme supports innovative research initiatives while encouraging the exploration of innovative emerging technologies and technology transfer to enhance South African research and development capacity for novel ideas.

### Explanation of Performance over the Medium-Term Period

The NHLS, over the MTEF, plans to obtain ISO 9001:2015 certification for its administration departments. This will strengthen and improve the QMS in these departments and ensure that service delivery and academic platforms within the NHLS receive consistent, high-quality products and services, which, in turn, bring business benefits.

The NHLS aims to have all the national central laboratories, provincial tertiary laboratories and regional laboratories SANAS accredited over the MTEF.

| PROGRAMME 2: ACADEMIC AFFAIRS, RESEARCH AND QUALITY ASSURANCE | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| **High-quality services** | | | | | |
| **Strengthened total quality management systems** | | | | | |
| Percentage compliance achieved by laboratories during annual quality compliance audits | **100%** | **94%** | **94%** | **0** | Not applicable |
| Percentage of laboratories achieving proficiency testing scheme performance standards of 80% | **99%** | **94%** | **91%** | **3%** | Non-returns and Morphology Compliance are the main causes of the deviation. Compliance with the Morphology PTS scheme among NHLS participants exceeded 80% in the previous fiscal year, FY23.<br><br>However, a decline in compliance was observed from October 2023 when the scheme was fully implemented on the web-based system.<br><br>Manual submission allows participants to provide extensive descriptions, increasing the likelihood of obtaining full marks, even if the reporting is not comprehensive. Conversely, the new online system requires participants to provide precise and prominent features leading to a diagnosis, as there are limitations on the number of descriptions that can be entered for each category, with allocated marks for each description. Participants lose marks for incorrect or insufficient reporting. |

| PROGRAMME 2: ACADEMIC AFFAIRS, RESEARCH AND QUALITY ASSURANCE | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| | | | | | This system was designed to enhance morphology reporting to the standards of international PTS providers, such as The Royal College of Pathologists of Australia (RCPA). |
| Number of national central laboratories that are SANAS accredited | **53** | **53** | **53** | **0** | Not applicable |
| Number of provincial tertiary laboratories that are SANAS accredited | **16** | **17** | **16** | **1** | Only one laboratory outstanding.<br>The laboratory could not be accredited due to staff shortage. Plans are in place to recruit suitable staff to enable the SANAS accreditation. |
| Number of regional laboratories that are SANAS accredited | **25** | **38** | **36** | **2** | ISO 15189 standard was updated in December 2022 to ISO15189:2022 and SANAS subsequently stopped accepting any initial applications on 31 January 2023 until training on the new standard ensued. Pre-SANAS audits were also stopped until the new standards were procured through grant funding and transition training conducted.<br>As a result, no new laboratories in this category could be assessed. |
| Number of district laboratories that are SANAS accredited | **65** | **55** | **70** | **15** | The target was exceeded due to the effective management systems across the laboratories. |

| PROGRAMME 2: ACADEMIC AFFAIRS, RESEARCH AND QUALITY ASSURANCE | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| Number of ISO 9001 certified departments | **4** | **6** | **5** | **1** | The DMP certification has been suspended due to a damaged building, which has reduced the number of departments that are ISO 9001 certified.<br>One of the departments that was due to achieve certification by end-March is Human Resource, however there has been a delay in clearing of non-conformities from the audits conducted from June to September 2023.<br>The Communication, Marketing, and Public Relations department has been delayed in clearing non-conformities identified during December 2023.<br>The current challenge is the resignation of the Graphics Officer and the Web Content Specialist. This shortage of staff is affecting operations. Recruitment is still in progress. |
| Develop and implement the pathologists' national coverage plan | **30%** | 40% implementation of the pathologists' national coverage plan. | **40% implementation of the pathologists' national coverage plan.** | **0** | Not applicable |

| PROGRAMME 2: ACADEMIC AFFAIRS, RESEARCH AND QUALITY ASSURANCE | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| **Cutting-edge health research** | | | | | |
| Number of articles published in peer-reviewed journals | **664** | **680** | **597** | **83** | Publications are an output of research projects that have progressed to allow scientific inferences to be made, and thus, research continuity has to be maintained.<br>During COVID-19, most projects were interrupted, and most of the research activities focused on COVID-19. with a drop in COVID-19 cases, the NHLS has seen a drop in a number of publications in the 2023/2024 financial year. |
| **Appropriately trained human resources in adequate numbers** | | | | | |
| Number of pathology registrars admitted and trained in the NHLS | **53** | **40** | **64** | **24** | Additional registrars were appointed to build an effective pool of qualified pathologists to address national coverage and the skills shortage. |
| Number of intern medical scientists admitted and trained in the NHLS | **63** | **50** | **50** | **0** | Not applicable |

## Linking performance with budget

| Academic Affairs, Research and Quality Assurance | Audited 2021/22 R000 | Audited 2022/23 R000 | Audited 2023/24 R000 | Budget 2023/24 R000 | Over/Under Expenditure R000 |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Compensation of employees | 114 360 | 118 208 | 56 570 | 124 650 | 68 080 |
| Goods and services | 264 706 | 235 569 | 350 899 | 253 221 | (97 678) |

## 2.5.3. PROGRAMME 3: SURVEILLANCE OF COMMUNICABLE DISEASES

### Purpose of the Programme

The NICD is a national public health institute for South Africa that provides reference microbiology, virology, epidemiology, surveillance, and public health research to support the government's response to communicable disease threats.

### Explanation of Performance over the Medium-Term Period

The NICD has the following strategic objectives:

- to be the national public health institute for surveillance of communicable diseases in South Africa;
- to detect outbreaks or epidemics at an early stage to be able to respond to them timeously and effectively, or to anticipate imminent outbreaks or epidemics by investigation, research, and the analysis of data and to communicate information accordingly;
- to engage in directed and relevant research to answer questions related to national and regional public health communicable disease problems, as well as their surveillance and management;
- to provide a reference function for communicable diseases laboratories in the public and private sectors nationally, regionally, and internationally; and
- to build capacity for communicable diseases nationally and regionally.

| PROGRAMME 3: SURVEILLANCE OF COMMUNICABLE DISEASES | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| **High-quality services** | | | | | |
| **A robust and efficient communicable disease surveillance system and outbreak response** | | | | | |
| Percentage of identified prioritised diseases under surveillance | **99%** | **90%** | **95%** | **5%** | The reporting cumulative, that gives us the opportunity to complete CRFs over time provides sufficient time to complete CRFs over time. |
| Percentage of outbreaks of Category 1 notifiable medical conditions responded to within 24 hours after notification | **100%** | **100%** | **100%** | **0** | Not applicable |
| Percentage of NICD laboratories that are SANAS accredited | **100%** | **100%** | **100%** | **0** | Not applicable |

| PROGRAMME 3: SURVEILLANCE OF COMMUNICABLE DISEASES | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| National HIV surveillance reporting | **100%** | **90%** | **100%** | **10%** | 30/30 (100%) reports were distributed and timeously (all 30 reports were delivered to the respective recipients on time). |
| National TB surveillance reporting | **100%** | **85%** | **100%** | **15%** | All 454 recipients received their reports (21 622) during the 4th quarter. |
| Number of articles published in peer-reviewed journals | **251** | **170** | **204** | **34** | Overachievement is due to a productive year of research. |
| **Appropriately Trained Human Resources In Adequate Numbers** | | | | | |
| Number of field epidemiologists qualified | **12** | **8** | **8** | **0** | Not applicable |

## Linking performance with budget

| Surveillance of Communicable Diseases | Audited 2021/22 | Audited 2022/23 | Audited 2023/24 | Budget 2023/24 | Over/Under Expenditure |
|---|---|---|---|---|---|
| | R000 | R000 | R000 | R000 | R000 |
| **Expenses** | | | | | |
| Compensation of employees | 280 648 | 322 993 | 280 384 | 340 596 | 60 212 |
| Goods and services | 101 546 | 84 000 | 104 904 | 122 744 | 17 840 |

## 2.5.4. PROGRAMME 4: OCCUPATIONAL AND ENVIRONMENTAL HEALTH AND SAFETY

### Purpose of the Programme

The NIOH is a national public health institute that provides occupational and environmental health and safety support across all sectors of the economy to improve and promote workers' health and safety. National and provincial government departments and public entities are important clients, including the Medical Bureau for Occupational Diseases (MBOD) of the NDoH. The NIOH achieved this by providing occupational medicine, hygiene, advisory, statutory pathology, and laboratory services, conducting research, and providing teaching and training in occupational and environmental health and safety.

| PROGRAMME 4: OCCUPATIONAL AND ENVIRONMENTAL HEALTH AND SAFETY | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/ under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| **High-quality services** | | | | | |
| **Robust and efficient occupational and environmental health services** | | | | | |
| Percentage of occupational and environmental health laboratory tests conducted within the predefined turnaround time | **98%** | **90%** | **76%** | **14%** | The Pathology department has lost three of its critical staff members ( pathologists), during the reporting period, with only one pathologist remaining to do the work.<br>These positions remain vacant to date. This has created a backlog of work, resulting in a decline in turnaround times. In addition, analytical services tests were over-estimated. |
| Number of occupational, environmental health and safety assessments completed | **20** | **20** | **22** | **2** | The reason for exceeding the target resulted from two urgent requests for ergonomic risk assessment from the Occupational Medicine Specialists referral clinic. |
| Number of occupational health surveillance reports produced | **5** | **4** | **5** | **1** | An additional report was produced as data became available. |
| Percentage of NIOH laboratories that are SANAS accredited | **100%** | **100%** | **100%** | **0** | Not applicable |

## Linking performance to budget

| Occupational and Environmental Health and Safety | Audited 2021/22 | Audited 2022/23 | Audited 2023/24 | Budget 2023/24 | Over/Under Expenditure |
|---|---|---|---|---|---|
| | R000 | R000 | R000 | R000 | R000 |
| **Expenses** | | | | | |
| Compensation of employees | 112 981 | 120 210 | 120 451 | 141 530 | 21 079 |
| Goods and services | 17 876 | 17 229 | 17 436 | 29 318 | 1 743 |

# 2.5.5. PROGRAMME 5: FORENSIC CHEMISTRY LABORATORIES

## Purpose of the Programme

This programme is responsible for pre- and post-mortem analyses of blood alcohol levels for drunken driving, as well as toxicology analyses of biological fluids and human organs in the event of unnatural deaths such as murder and suicide, in accordance with the Criminal Procedure Act, and in accordance with the Foodstuffs Act for food and cosmetic analyses.

## Explanation of Performance over the Medium-Term Period

The FCLs have been fully integrated into the NHLS as of 1 April 2022.

The FCLs' primary business includes the following:

- testing of biological tissues and fluids for the presence of poisons and/or drugs in instances of unnatural deaths (toxicology analysis);
- testing of ante-mortem and post-mortem blood for the presence of alcohol in alleged drunken driving matters (alcohol analysis); and
- food testing in terms of the Foodstuffs Act.

The initial analysis performed on the FCLs shows that there will be a need for a large capital injection as well as additional funding to improve the operational performance. The capital injection is mainly required as the infrastructure has deteriorated, and the additional operational funding is required as FCL is currently underfunded. This surplus will be utilised, in part, for improvements in operational performance. It will also be used to reduce the backlog of tests that have accumulated over the years.

| PROGRAMME 5: FORENSIC CHEMISTRY LABORATORIES | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/ under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| **Clinical effectiveness and efficiency** | | | | | |
| **Improved turnaround times** | | | | | |
| Percentage of blood alcohol tests completed within a normative period of 90 days | **34%** | **75%** | **82%** | **7%** | Laboratories made use of overtime to increase processing capacity and achieved success in reducing the turnaround time.<br>During the reporting period, new requests for antemortem blood alcohol analysis from the Gauteng province that fell under the Johannesburg FCL service area were redirected to the expanded Pretoria FCL. The Pretoria FCL had cleared its backlog, made available instruments, and increased the testing capacity. The increased processing capacity at the Pretoria FCL to manage all new samples, including those from Johannesburg FCL service areas in Gauteng, contributed to the higher performance, resulting in the over-achievement of the target. |
| Percentage reduction of backlogged toxicology cases | **7%** | **40%** | **7%** | **33%** | Only three of the four Forensic Chemistry Laboratories performed toxicology testing service abd this had been inadequate to meet the national service demand for toxicology testing, resulting in the accumulation of toxicology testing backlogs over the years. The laboratory space and toxicology analyticinstruments across the three laboratories were ageing and experienced frequent breakdowns, further increasing turnaround time for toxicology test request and hindering efforts to process backlogged samples to eliminate the backlog. |

| PROGRAMME 5: FORENSIC CHEMISTRY LABORATORIES | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/ under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| Percentage of perishable food samples tested within 30 days of sampling | **72%** | **75%** | **75%** | **0%** | Not applicable |
| Percentage of non-perishable food samples tested within 60 days of sampling | **40%** | **75%** | **48%** | **27%** | Implementation of overtime to increase the output. |

## Linking performance with budget

| **Forensic chemistry Laboratory** | **Audited** | **Audited** | **Audited** | **Budget** | **Over/Under Expenditure** |
|---|---|---|---|---|---|
| | **2021/22** | **2022/23** | **2023/24** | **2023/24** | |
| | **R000** | **R000** | **R000** | **R000** | **R000** |
| **Expenses** | | | | | |
| Compensation of employees | - | 110 448 | 108 784 | 119 007 | 10 223 |
| Goods and services | - | 21 704 | 60 120 | 84 208 | 24 088 |

## 2.5.6. PROGRAMME 6: ADMINISTRATION

### Purpose of the Programme

The Administration programme plays a crucial role in the delivery of the NHLS' services through the provision of a range of support services, such as organisational development, Human Resources (HR) and labour relations, information technology, property management, security services, legal services, communication, and integrated planning. The NHLS depends highly on the effective management of financial resources and the procurement process as administered by the Finance department. Generating sufficient revenue remains a critical focus area for the NHLS, to ensure financial viability and sustainability. There are three sub-programmes:

### Financial Management

The purpose of this sub-programme is to effectively manage the finances of the organisation and to improve the cash flow position of the NHLS.

### Information and Communication Technology (ICT)

The purpose of this sub-programme is to build a robust and agile ICT infrastructure as well as innovative digital solutions to facilitate and enable state-of-the-art laboratory services at the NHLS by 2025.

### Human Resources Management

The purpose of this sub-programme is to provide effective HR services through efficient processes, systems, and adequate human resources.

### Explanation of Performance over the Medium-Term Period

The NHLS' intention for the MTEF, among others, is to leverage innovation and new technology to improve efficiency. To achieve this, the NHLS must invest in information technology, digital technology, communication solutions and logistical services.

It continues to implement improved procurement policies and procedures to eliminate irregular expenditure. This includes system enhancements and continuous procurement training interventions.

In line with its revenue enhancement strategy the NHLS aims to restructure and re-engineer DMP's manufacturing plant and establish the Research and Development (R&D) section. The establishment of this section will facilitate the collaboration with medical diagnostic companies to manufacture rapid diagnostic kits for the growing Point-of-care -Testing (POCT) market and bring more business to the NHLS.

Furthermore, the NHLS aims to invest in the establishment of a Business Intelligence Unit (BIU) to further reinforce the Board's control. The BIU will produce studies on evidence-based operational strategy, cost-cutting, market, and intellectual property appraisal. It will also be used to track whether the NHLS is on track to accomplish its strategic goals by tracking specified indicators.

| PROGRAMME 6: ADMINISTRATION<br>SUB-PROGRAMME: INFORMATION AND COMMUNICATION TECHNOLOGY | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| **Cost-effective services** | | | | | |
| **Improve the liquidity position of the nhls** | | | | | |
| Ratio of current assets to current liabilities | **4.8:1** | **02:01** | **5.9:1** | **3.9** | This has been above the target, due to the current assets higher than the liabilities, therefore NHLS has been able to pay its current liabilities. |
| Cash flow coverage ratio (operating cash in-flows/total debt) | **5.9:1** | **02:01** | **9.1:1** | **7.1** | This is due to the significant high exchange to cash and cash equivalent compared to the prior year. |
| Number of creditor days | **34 days** | **30 days** | **25 days** | **5 days** | This is due to the fact that Accounts Payable made a concerted effort to pay all suppliers before 31 March 2024. The Accounts Payable department worked tirelessly to resolve pricing discrepancies and consistently utilised the department to obtain purchase orders received by the NHLS. |

| PROGRAMME 6: ADMINISTRATION<br>SUB-PROGRAMME: INFORMATION AND COMMUNICATION TECHNOLOGY | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| Number of debtors days | **146 days** | **120 days** | **192 days** | **72 days** | Payments received from the provincial health departments were not sufficient to cover all the outstanding debt owed for the current financial year and previous financial years. The provincial health department's finance are under severe strain and reduced budgets are reducing their ability to pay the NHLS for services rendered, in full and timeously. This has led to an increase in outstanding debt and debtors' days. The NHLS will continue to engage with the provinces on their outstanding debt. |
| **Provide affordable pathology services** | | | | | |
| Review the cost of top hundred (100) pathology tests by volume over the next four years | New | **Cost of 25% of the tests reviewed** | **88% reviewed and costed** | **63%** | More focus was directed to costing in preparation for accurate budgeting. |
| **Clinical effectiveness and efficiency** | | | | | |
| **Improved turnaround times** | | | | | |
| Percentage turnaround time for awarding tenders that are below R10 million within 180 days | **75%** | **80%** | **100%** | **20%** | The appointment of permanent employees at the SCM Unit (tenders and contracts), timeous evaluation and adjudication of bids contributed to improved turnaround time for awarding tenders. |

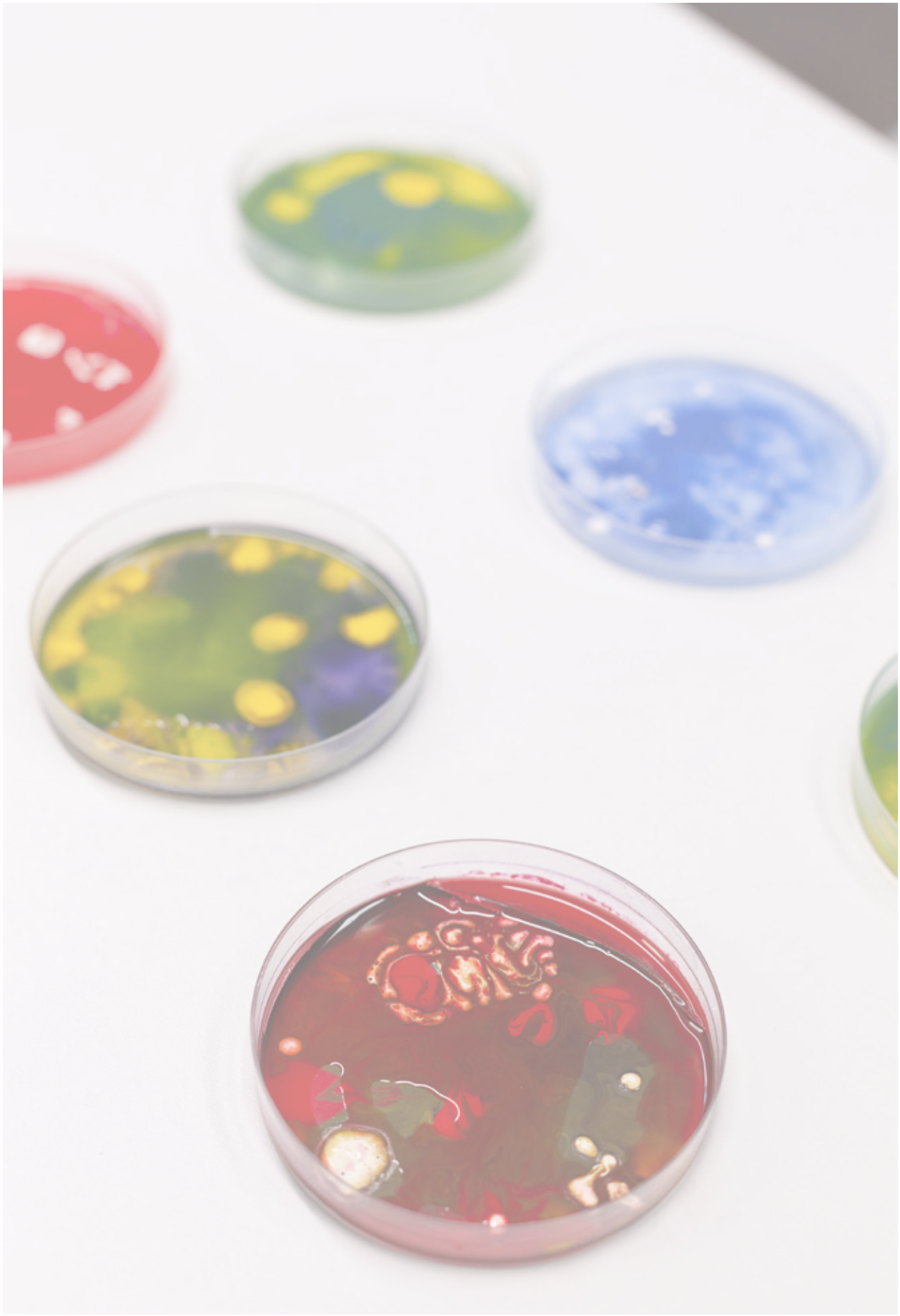
| PROGRAMME 6: ADMINISTRATION<br>SUB-PROGRAMME: INFORMATION AND COMMUNICATION TECHNOLOGY | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| Percentage turnaround time for awarding tenders that are above R10 million within 180 days | **50%** | **75%** | **83%** | **8%** | The appointment of permanent employees at the SCM Unit (tenders and contracts), timeous evaluation and adjudication of bids contributed to improved turnaround time for awarding tenders. |
| **Good governance** | | | | | |
| **Audit opinion of the AGSA** | | | | | |
| Audit opinion of the AGSA | Unqualified | Unqualified | Qualified | Did not recieve an unqualified audit opinion. | Delays in the implementation of action plans to address prior year audit findings as a result of vacancies in some key positions. Management is in the process of analysing the internal control deficiencies in order to develop action plans to address the underlying root causes and improve the audit outcomes in the following financial year. |
| **Corruption-free organisation** | | | | | |
| Percentage of allegations reported through NHLS tipoff platform that are investigated within 180 days | **91%** | **90%** | **92.5%** | **2.5%** | Improved efficiency, exceptional team effort, on the job training programme and a consistently high performance. |
| **Transformed procurement system** | | | | | |
| Percentage of RFQs awarded to service providers that are below a B-BBEE score Level 4 | New | **60%** | **82%** | **22%** | Most of the RFQs awards are for the Emerging Medium Enterprises, which are Level 1 B-BBEE. |

| PROGRAMME 6: ADMINISTRATION<br>SUB-PROGRAMME: INFORMATION AND COMMUNICATION TECHNOLOGY | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| **Modernised information technology systems** | | | | | |
| High-capacity bandwidth rollout – new Multiprotocol Label Switching (MPLS) | Implemented to 96% of the NHLS sites | **Implement to 85% of the NHLS sites** | **Implemented to 99% of the NHLS sites** | **14%** | The NHLS implementation partner MTN has invested additional resources to fast-track the rollout. |
| Distribution of CDW summary reports to provinces | 100% of the public hospitals serviced by the NHLS receive monthly reports | **85% of the public hospitals serviced by the NHLS receive monthly reports** | **100% of the public hospitals serviced by the NHLS received monthly reports** | **15%** | All reports were successfully submitted to the provinces. |
| Implementation of stock management system and analytics | Implemented to 80% of the NHLS' laboratories | **Implement to 85% of the NHLS' laboratories** | **Implemented to 100% of the NHLS laboratories** | **15%** | Stock management and analytics is a module in the Oracle system. It has been implemented in all asset stores. |
| Percentage system uptime for critical systems at laboratory level | **99%** | **99%** | **100%** | **1%** | Not applicable |
| **Clinical effectiveness and efficiency** | | | | | |
| **Appropriately trained human resources in adequate numbers** | | | | | |
| Staff turnover ratio | **3.2%** | **5%** | **1%** | **4%** | The NHLS continued to experience a low number of resignations during the reporting period. |
| Number of intern medical technologists and student medical technicians admitted and trained in the NHLS | **308** | **250** | **315** | **65** | The intake of interns depends on the numbers produced by the universities of technology. Training is the NHLS's mandate, and it cannot refuse to take in students or interns. |

| PROGRAMME 6: ADMINISTRATION<br>SUB-PROGRAMME: INFORMATION AND COMMUNICATION TECHNOLOGY | | | | | |
|---|---|---|---|---|---|
| **Output Indicator** | **Audited Actual Performance** | **Planned Annual Target** | **Actual Achievement** | **Deviation from planned target to actual achievement** | **Reason for over/under achievement** |
| | **2022-2023** | **2023-2024** | **2023-2024** | **2023-2024** | |
| Percentage of employees trained as per the approved training plan (Workplace Skills Plan – WSP) | **87%** | **75%** | **60%** | **15%** | The target was not met due to the delay in sourcing external service providers for the group courses and cost containment measures. |
| **Performance-driven workforce** | | | | | |
| Percentage of employees with approved and evaluated performance agreements | **95%** | **98%** | **98%** | **0%** | Not applicable |

## Linking performance with budget

| Administration | Audited 2021/22 | Audited 2022/23 | Audited 2023/24 | Budget 2023/24 | Over/Under Expenditure |
|---|---|---|---|---|---|
| | R000 | R000 | R000 | R000 | R000 |
| **Expenses** | | | | | |
| Compensation of employees | 580 128 | 247 369 | 396 239 | 803 154 | 406 915 |
| Goods and services | 2 152 757 | 993 681 | 557 481 | 1 146 739 | 589 258 |



# BUSINESS UNIT PERFORMANCE

## 2.6. BUSINESS UNIT PERFORMANCE

The NHLS has six business units that help it carry out its fundamental mandate, which includes the following primary objectives:

- supporting the NDoH through delivering laboratory services to South Africans;
- providing training in health sciences in partnership with universities and the Universities of Technology (UoT); and
- promoting and undertaking relevant and innovative health-related research.

**The business units are as follows:**

- Laboratory Service, which is further classified into six regions: Eastern Cape; Free State and North West; Gauteng; KwaZulu-Natal; Limpopo and Mpumalanga; Northern and Western Cape;
- Academic Affairs, Research and Quality Assurance (AARQA);
- Forensic Chemistry Laboratories (FCLs);
- National Institute for Communicable Diseases (NICD);
- National Institute for Occupational Health (NIOH); and
- Strategic Initiatives.

**In addition, the organisation has the following support service departments:**

- Communication, Marketing and Public Relations;
- Finance;
- Human Resources;
- Information and Communication Technology; and
- The NHLS has a subsidiary, called the South African Vaccine Producers (SAVP).

## 2.6.1. LABORATORY SERVICE

### Introduction

The role of regions in ensuring equitable public access to high-quality, timely diagnostic pathology services cannot be overemphasised. With its presence in six regions - the Eastern Cape, Free State and North West, Gauteng, KwaZulu-Natal, Limpopo, and Mpumalanga, and the Northern and Western Cape - the NHLS plays a critical role in ensuring the population's access to essential healthcare services. The NHLS offers extensive coverage by efficiently serving over 80% of the South African population, supported by a well-organised network of laboratories strategically positioned nationwide. This extensive reach facilitates access to critical diagnostic pathology services and upholds the principle of equitable healthcare, which promotes well-being and healthcare parity for all.

# The NHLS' National Footprint

## Gauteng

**Area Manager: Bahule Motlonye**

| | |
|---|---|
| # of NHLS laboratories | 27 |
| # of health facilities | 542 |
| Population estimates (2024) | 15 931 824 |
| Total Test Volumes (2023-2024) | 32 136 237 |

## Free State and North West

**Area Manager: Jone Mofokeng**

### Free State

| | |
|---|---|
| # of NHLS laboratories | 9 |
| # of health facilities | 387 |
| Population estimates (2024) | 3 044 050 |
| Total Test Volumes (2023-2024) | 5 080 753 |

### North West

| | |
|---|---|
| # of NHLS laboratories | 14 |
| # of health facilities | 397 |
| Population estimates (2024) | 4 155 303 |
| Total Test Volumes (2023-2024) | 6 992 832 |

## Limpopo and Mpumalanga

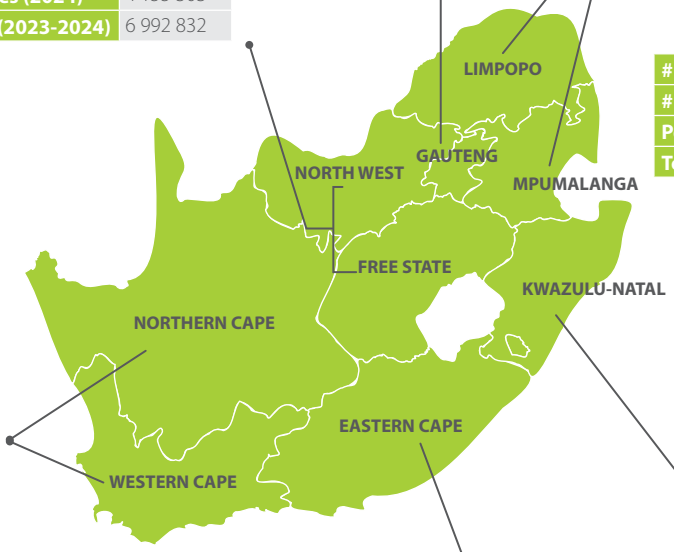
**Area Manager: Jacob Lebudi**

### Limpopo

| | |
|---|---|
| # of NHLS laboratories | 37 |
| # of health facilities | 642 |
| Population estimates (2024) | 6 402 594 |
| Total Test Volumes (2023-2024) | 8 095 597 |

### Mpumalanga

| | |
|---|---|
| # of NHLS laboratories | 21 |
| # of health facilities | 407 |
| Population estimates (2024) | 5 057 662 |
| Total Test Volumes (2023-2024) | 7 089 986 |




## KwaZulu-Natal

**Area Manager: Sibulele Bandezi**

| | |
|---|---|
| # of NHLS laboratories | 56 |
| # of health facilities | 809 |
| Population estimates (2024) | 12 312 712 |
| Total Test Volumes (2023-2024) | 30 682 646 |

## Northern and Western Cape

**Area Manager: Nasima Mahomed**

### Western Cape

| | |
|---|---|
| # of NHLS laboratories | 19 |
| # of health facilities | 532 |
| Population estimates (2024) | 7 562 588 |
| Total Test Volumes (2023-2024) | 10 509 271 |

### Northern Cape

| | |
|---|---|
| # of NHLS laboratories | 5 |
| # of health facilities | 228 |
| Population estimates (2024) | 1 372 943 |
| Total Test Volumes (2023-2024) | 2 078 354 |

## Eastern Cape

**Area Manager: Tabita Makula**

| | |
|---|---|
| # of NHLS laboratories | 45 |
| # of health facilities | 1053 |
| Population estimates (2024) | 7 176 230 |
| Total Test Volumes (2023-2024) | 11 829 356 |

## Operating model

**Nine provinces with national presence**

- Nationwide laboratory network

**Regional presence**

- Administration by 6 regions

**Individual business units within region**

*Figure 1: Area Managers, laboratory network and operating model.*

## Diagnostic Services and New Developments

**Table 1: Test Volumes.**

| Province | 2022 to 2023 | 2023 to 2024 |
|---|---|---|
| Eastern Cape | 11 214 985 | 11 829 356 |
| Free State | 5 538 124 | 5 080 753 |
| Gauteng | 30 708 691 | 32 136 237 |
| KwaZulu-Natal | 28 409 285 | 30 682 646 |
| Limpopo | 5 929 095 | 8 095 597 |
| Mpumalanga | 6 123 017 | 7 089 986 |
| Northern Cape | 1 995 016 | 2 078 354 |
| North West | 6 055 039 | 6 992 832 |
| Western Cape | 13 583 512 | 10 509 271 |
| **TOTAL** | **110 583 512** | **114 495 122** |

**Table 2: Top ten tests volume.**

| VOLUME | | | |
|---|---|---|---|
| **Description** | **CY** | **PY** | **Bud** |
| Creatinine | 14 269 399 | 13 786 494 | 14 068 393 |
| Viral Load | 6 787 472 | 6 574 451 | 6 748 632 |
| Full Blood Count Incl Platelet | 6 520 989 | 6 416 498 | 6 846 483 |
| Profile Discrete Analyser U&E | 6 250 404 | 6 072 612 | 6 695 081 |
| Alanine Transaminase - A | 3 369 621 | 3 364 608 | 3 465 480 |
| C-Reactive Protein | 3 235 225 | 3 099 802 | 3 035 809 |
| GeneXpert PCR TB | 3 070 485 | 2 574 050 | 2 749 206 |
| Cholesterol Total - A | 2 829 911 | 2 635 357 | 2 626 286 |
| Albumin - A | 2 764 913 | 2 683 548 | 2 713 406 |
| Bilirubin Total - A | 2 680 733 | 2 613 994 | 2 668 917 |
| **Total Top 10 Test Volume** | **51 779 152** | **49 821 414** | **51 617 693** |
| **% Contribution of Top 10** | **45%** | **45%** | **36%** |
| **Other Test Volume** | **62 234 373** | **60 907 416** | **91 380 235** |
| | **55%** | **55%** | **64%** |
| **Grand Total of Test Volume** | **114 013 525** | **110 728 830** | **142 997 928** |
| **Total of Test Volume Growth** | **3%** | | **-20%** |

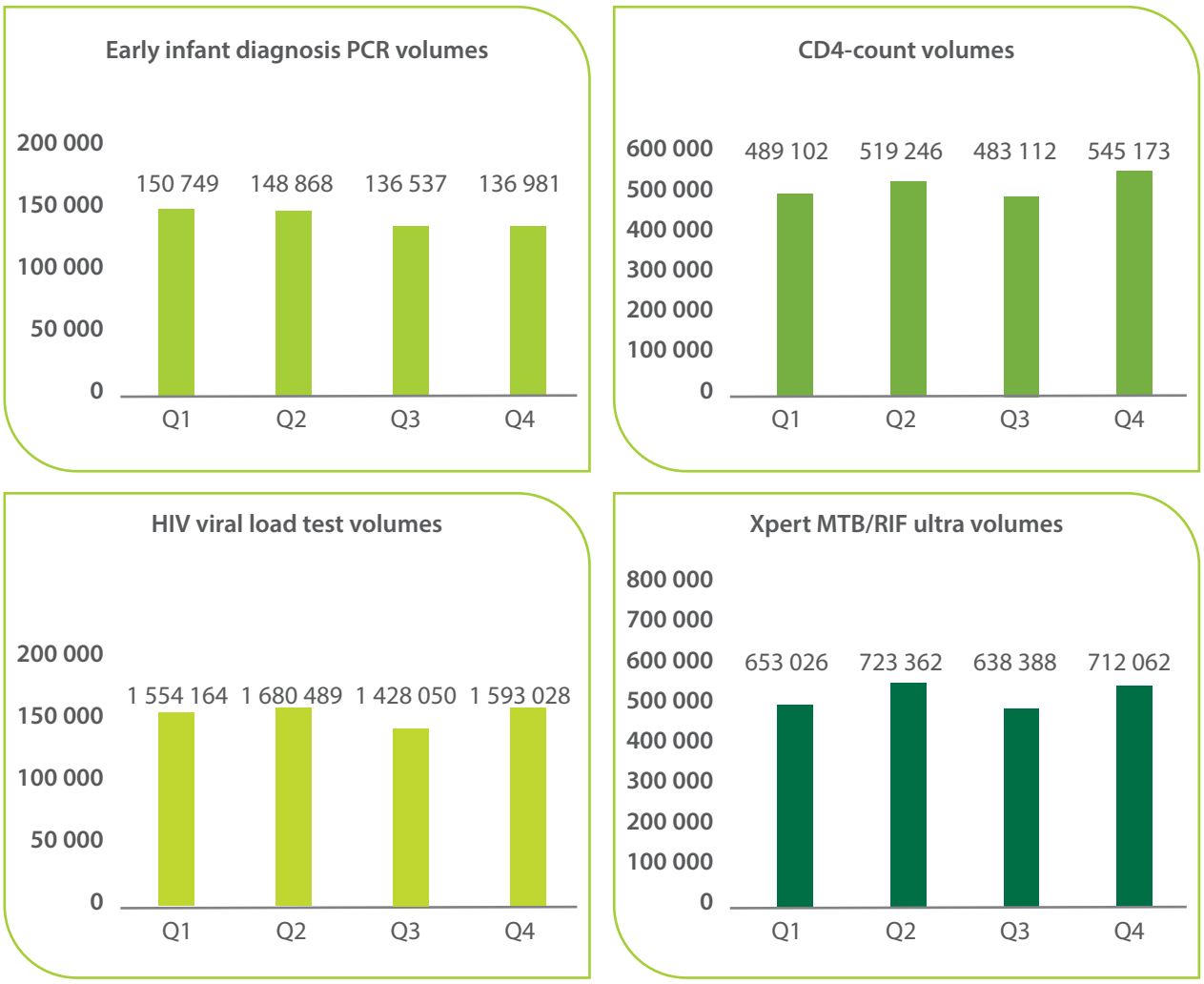



***Figure 2: Test volumes, by quarter for early infant diagnosis HIV PCR, CD4-count, HIV viral load, and Xpert MTB/RIF Ultra testing.***

*Note: Traditionally, Quarter 3 demonstrates a decline in testing across all four programmes related to the December festive period.*

**Table 3: Test Turnaround Times.**

| Region | TB GXP | CD4 | HIV VL | HIV PCR | Cervical smear | FBC | U&E |
|---|---|---|---|---|---|---|---|
| Eastern Cape | 92% | 93% | 94% | 86% | 98% | 90% | 88% |
| Free State | 94% | 95% | 94% | 92% | 95% | 95% | 95% |
| Gauteng | 95% | 97% | 93% | 95% | 99% | 96% | 82% |
| KwaZulu-Natal | 94% | 62% | 95% | 96% | 97% | 96% | 94% |
| Limpopo | 95% | 94% | 94% | | 95% | 95% | 95% |
| Mpumalanga | 94% | 94% | 96% | 94% | 99% | 95% | 94% |
| Northern Cape | 99% | 95% | 100% | | | 96% | 84% |
| North West | 91% | 98% | 99% | 93% | 98% | 98% | 92% |
| Western Cape | 97% | 95% | 99% | 98% | 97% | 98% | 97% |

## Upgraded Laboratories

During the financial year under review, the NHLS invested in upgrading its laboratories, optimising workflow processes, and ensuring a safer working environment. Several regions completed significant renovations throughout the year under review to enhance workplace conditions and accommodate new state-of-the-art equipment, improving overall efficiencies.

### Eastern Cape

The Business Managers in conjunction with Eastern Cape Department of Health (ECDoH) District Laboratory Coordinators, were very key in attaining new premises within the hospitals for laboratories that operated in park homes. Queenstown, Port Alfred, Grahamstown, and Humansdorp laboratories were allocated larger spaces to allow for expansion. Butterworth, St Elizabeth, PE Cytology, Livingstone, East London, and Nelson Mandela Academic laboratories were revamped.

The laboratories received new equipment, and upgraded old equipment that had caused delays in TAT due to breakdowns. The district laboratories upgraded their haematology analysers, and the tertiary and central laboratories received full automation with a tracking system for chemistry laboratories. This state-of-the-art equipment has boosted staff moral and will improve efficiency.


*Image 1: Total automation at Nelson Mandela Academic, East London and Livingstone laboratories.*

### Free State

In the Free State, the current laboratory building at the Bethlehem Laboratory is old with inadequate space to accommodate laboratory operations. The upgrading of this facility will expand working areas from 90m$^2$ to 231m$^2$. However, contractors are somewhat behind schedule, with a completion date projected for June or July 2024 assuming all goes as planned. The works at the Bethlehem Laboratory in the Dihlabeng Regional Hospital started with upgrades to the hospital in March 2023. Phase 1 of the project includes building a new laboratory as the current laboratory is situated in an area that will be demolished. At the Botshabelo Laboratory, there were no major changes in the infrastructure of the laboratory, however, it received two new instruments. In addition, the laboratory also received a new fridge, a bed for the on-call room and a buffer machine. The Sasolburg Laboratory did not undergo any upgrades during the fiscal year; however, plans are in place to relocate the laboratory to be closer to the casualty ward. Delays in obtaining approval from the Department of Public Works have hampered the process. At the Manapo Laboratory, a professional service provider was appointed to design, project manage and certification for the upgrade and refurbishment of the existing facility.


*Image 2: Kroonstad Laboratory.*

*Image 3: Bethlehem Laboratory.*

## KwaZulu-Natal

A task team was established to explore the feasibility of a joint Molecular facility within the Academic Complex, to maximise productivity, increase research output and minimise wastage. Expansion of the HIV Drug Resistance laboratory to facilitate Next Generation Sequencing was undertaken during the year. The Viral PCR Extraction laboratory was also extended to incorporate the increased capacity of the analysers. A plinth was constructed and installed to facilitate the safe installation of new analysers in Virology to prevent the weight of the analysers from exceeding the load-bearing capacity of the floor. Critical renovations at King Edward Hospital (KEH) are still pending with NHLS Procurement and DoH Maintenance departments.

Seven laboratories (RK Khan, Prince Mshiyeni, Addington, Mahatma Gandhi, Dr Pixley Ka Isaka Seme Memorial, Wentworth, and Public Health Food) were renovated at a total cost of R5 887 522. RK Khan received Full Automation, Cobas Pro integrated solutions (pre-analytics; general chemistry, immunoassay, drugs and endocrine; full blood count with differential count, slide maker and stainer; post-analytical).

The Public Health Food Laboratory received a TEMPO instrument, an automated quality indicator testing system for the enumeration of quality indicator organisms in environmental samples. TEMPO automates food safety testing for quantitative methods – total viable counts, total coliform counts, E. coli counts, S. Aureus counts and B. Cereus counts, yeasts, and moulds. It is imperative to enumerate these organisms to conclusively demonstrate process control, intervention effectiveness, and product spoilage and safety.

A new laboratory was opened at Dr Pixley Ka Isaka Seme Memorial hospital which became fully operational during the reporting period. The laboratory received instruments for general chemistry (DXC700 AU), immunoassay and cardiac profile (DXI), full blood count with automated differential count (XN1000), coagulation tests using BFT11, HBA1c using premier instrument and manual Hepatitis, RPR and CrAg. Microbiology samples are referred to Mahatma Gandhi Laboratory.

The Richmond TB Hospital is being transformed into a fully functional district hospital. Wards are opened on a phased approach, and the hospital is being extensively renovated. NHLS currently operates a depot laboratory, which will be developed into its own laboratory during 2024. The renovations to the present site have been budgeted for and will be transformed into a full district laboratory that will operate on a 24-hour basis.

Plans are in place to build a new laboratory structure for Greys Hospital, but various challenges have been encountered in finalising the plan structure and awarding the relevant tender. Alternative premises have been identified within Greys Hospital as a possible new site for the laboratory to be built.

The Edendale Laboratory renovations underwent renovations to the TB GeneXpert laboratory. A training office was created for students, and various new instruments were introduced. In the Virology laboratory – 3 Alinity instruments; in the chemistry laboratory – a Beckman DCX instrument; in the Haematology laboratory – a Roche XN series; and 4 x Aquios CD4 instruments were installed. A network cabinet was installed in the ICT server room.

The Hlabisa Laboratory underwent renovations in the newly allocated space that was previously used as a physiotherapist room. The renovation was done in preparation for a new Virology laboratory as per specifications for a molecular laboratory. The laboratory received 2x Alignity instruments that will be used to analyse Virology.

The Mosvold Laboratory underwent renovations to correct the cracked walls that were picked up during health and safety audits as a hazard. The issue of carpet in the logging area and the laboratory manager office was corrected, as well as renovation to the bathrooms.

The Vryheid Laboratory had renovations done to address the issue of peeling walls due to moisture underneath and the leaking roof which was also a finding in the health and safety audit.

### Limpopo

In Limpopo, renovations were undertaken at the following laboratories: Bela Bela, Potgietersrus, Sekororo, CN Phatudi, and Tshilidzini to improve laboratory conditions and compliance with health and safety standards. The Nylstroom Laboratory received a new park home with a water tank to improve service delivery, the working environment, staff morale and the image of the organisation. In response to water shortages, water tanks were installed at the following laboratories: Letaba, Elim and Malamulele to provide continuous service.

The Nylstroom laboratory received a new park home with a water tank to improve service delivery, working environment, staff morale and the brand image of the organisation *(Image 4)* Bela Bela Laboratory.

*Image 4: Bela Bela Laboratory.*

Renovations were undertaken at the following laboratories: Bela Bela, Potgietersrus, Sekororo and CN Phatudi, Tshilidzini to improve laboratory conditions and compliance with health and safety standards *(Image 7)*.

To mitigate water shortages, water tanks were installed at the Letaba, Elim and Malamulele laboratories to provide continuous service.

### Mpumalanga

The Mmamethlake and Bethal laboratories relocated to new buildings after the Mpumalanga Province Department of Health revitalisation projects.

The NHLS planned laboratory renovation projects for Tintswalo and Delmas were completed and included the installation of benchtops and steel cabinets, provision of waste storage areas, provision of backup water supply, lights replacement and repairs. This has resulted in an expanded laboratory space, enhanced workflow, improved working conditions, assurance of business continuity and compliance with health and safety standards.

Some projects could not be carried out during this financial period due to various challenges and these had to be rolled over to the next financial year, i.e. renovations to Rob Ferreira, Ermelo, Lydenburg and Evander laboratories and provision of backup power supply for Mapulaneng and Tintswalo laboratories. There were upgrades to the telephone management systems in some laboratories in the province which has led to improved communication and accessibility.

*Image 5: Bethal's new laboratory.*

### North West

The Business Unit planned and budgeted for the revival of two more laboratories: Ganyesa and Wolmaranstad. Renovations at both laboratories have been completed, and network points and a Haematology analyser installed, except at Wolmaranstad where the laboratory is yet to receive Haematology and Chemistry analysers. Equally, renovations for upgrading of Tshepong TB Laboratory to BSL3 have been initiated. This project could not be executed as there was no suitable bidder to do the job. This has since been deferred to the following financial year. In the same vein, there was a planned project to build a new NHLS laboratory at Job Shimankana Tabane Provincial Hospital (JST Hospital). Likewise, this project could also not be completed in the same financial year. However, a professional service provider for the design of the laboratory has been appointed.

The purpose of this project is to provide NHLS' Rustenburg laboratory with more space to enhance the quality of services provided to the immediate beneficiary, the JST Hospital, and the rest of the Rustenburg district community. These new developments will not only bring about a beautiful laboratory, but they will also create a safe workplace in compliance with the occupational health and safety regulations.

### Northern Cape and Western Cape

The GPC Histology Laboratory renovations were concluded, and the laboratory workflow improvements allow for a more efficient service.

*Image 6: GPC Histology Laboratory.*

The Kimberley Laboratory underwent renovations in the core and laboratory support departments in preparation for the implementation of full automation. Renovation of a building at ground level is 80% completed, this will serve as an asset store for the Northern Cape laboratories and avail current storeroom space at the laboratory to expand the microbiology laboratory.

The Tshwaragano Laboratory underwent renovations to increase the floor space in the laboratory by the addition of a new room linked to the storage unit. This laboratory also renovated the TB laboratory for implementation of new technology.

*Image 7: Abbott Alinity M instruments – GSH, TBH and GPC.*

*Image 8: Roche Cobas 5800 - GSH Virology.*

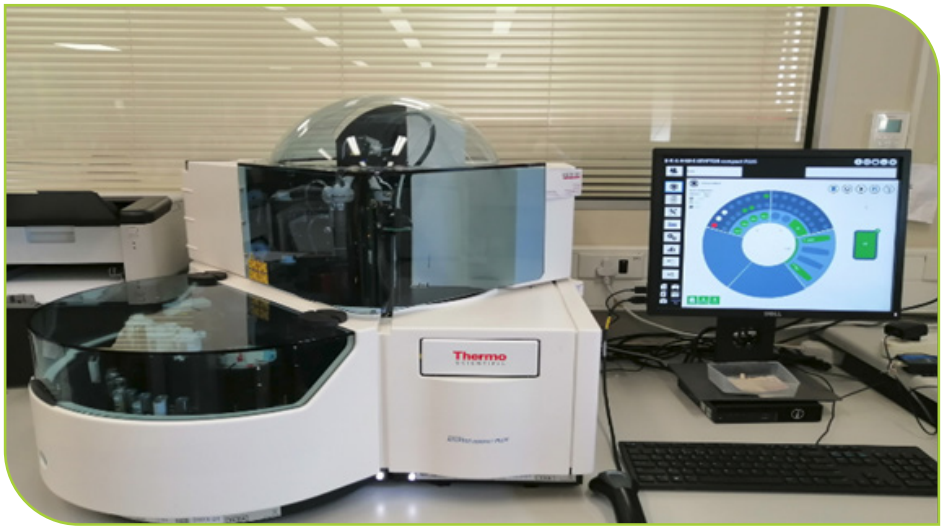



*Image 9: Kryptor Compact Plus – Automated Elisa*

## Stakeholder Relations

### Eastern Cape

The region and the ECDoH continued to work closely together to enhance service quality. The availability of district laboratory coordinators at the district level has significantly improved many infrastructure problems, such as stock management and billing queries. NHLS honoured all the provincial events, making use of the mobile laboratories. Meetings were attended at facility levels by the laboratory managers and business managers at the district level. The bilateral meetings were also held at the provincial level quarterly.

### Free State

Laboratories will continue to enhance communication between various stakeholders as meetings are not taking place as expected. Reports are sent monthly by the laboratory to various clinical managers. Blood Users Committee (BLUC) meetings are held regularly with the hospitals, of which the manager is a member. During these meetings, matters about laboratory operations, including electronic gatekeeping, turnaround time (TAT), rejections, availability of consumables, point-of-care testing (POCT), and age analysis, are thoroughly deliberated.

The training laboratory managers also have meetings with new medical interns at the start of each year, providing information regarding laboratory operations and requirements according to NHLS policies and the handbook supplied to all wards and clinics. The management also communicates monthly statistics, including Turnaround Time (TAT), cancelled tests, and Abstract Syntax Tree (AST) data, to clients via email. Additionally, the Free State Hospital pharmacy utilises micro-AST statistics for medication control.

The Free State Department of Health client receives regular updates regarding any laboratory issues that may impact operations and turnaround time (TAT) through the circulation of memos or emails. Furthermore, the business unit's laboratory managers engage in the proactive communication of changes in scope or adoption of new technology, which have the potential to influence result interpretation or TAT. Medical personnel are equipped with web access, enabling them to independently retrieve results from the NHLS website.

The laboratory managers regularly engage in communication with the Right to Care Laboratory advisors to address and resolve complaints or issues from the clinics. These meetings have proven to be beneficial, contributing to the enhancement of stakeholder relations. Furthermore, consistent communication is upheld between the laboratory managers and the pathologists at Universitas.

### KwaZulu-Natal

Several meetings and engagements formed part of our continual stakeholder engagement both physical and virtual. Client relations meetings and training sessions with the Primary Health Care (PHC) and Community Health Centre (CHC) clinics that drain to KEH were held. Web view access for the clinics and hospitals was enabled for new doctors and clinic sisters to view results.

An intern orientation workshop was held at KEH in January 2024 to orientate incoming medical interns on good specimen-taking practices, Minimum Clinical Data Set (MCDS), Electrocardiogram (EGK), TrakCare Laboratory and protocols. The medical interns were also given web access to enable the viewing of laboratory results via the internet. KEH clinics were visited, and issues were addressed regularly. SMS printers have been functional and operational in all the clinics. The frequency of the courier collection was maintained and extended to St Aidan Hospital which now falls under KEH. Laboratory User Committee meetings fostered good stakeholder relations, attended to operational efficiency matters, optimised clinical gatekeeping and rejections, and minimised costs.

At INkosi Albert Luthuli Central Hospital (IALCH), the IALCH extended management meetings, Hlanganani meetings, penalty meetings, Clinical HoDs meetings and Laboratory User Committee Meetings continued to be attended by NHLS. Test statistics have been provided to the clinical HoDS to assist them with electronic and clinical gatekeeping, rejections, contamination, TAT, pre-ordering, and future orders and to enforce compliance with the MCDS and special management of COVID-19 and transplant patients. The Laboratory User Committee meetings mainly focused on rejections and cost efficiencies.

Meetings between NHLS and Impilo Consortium focused on day-to-day operational issues which involved ensuring compliance with regulations of the Department of Labour, municipality and compliance with the Performance Pay Performance (PPP) viz fixed asset audits, equipment placement cycle, equipment refresh cycle, power outages, floor repairs, PPP transitional changes, infrastructural changes, security, waste disposal and health and safety among others. To this end, the NHLS also had meetings with designated structural engineers and contractors concerning various operational/ infrastructural changes to close the infrastructural safety gaps identified in the Pathology Laboratory building at IALCH.

DoH-NHLS management meetings at IALCH and KEH were held during the financial year to discuss laboratory user issues, power outages, cost efficiencies, rejection rates monitoring, clinical gatekeeping, electronic gatekeeping, specimen-taking practices, LIS- Hospital Information System challenges, and the Global Green Healthy Hospital Initiative. Additional meetings were convened with NHLS to discuss disaster management contingency plans for the referral of specimens, the asset replacement cycle, and the transition from PPP-Consortium services to NHLS, in anticipation of the IMPILO end-of-contract date of 31 May 2024. Several internal NHLS meetings were also held to ensure a smooth transition and to fast-track the procurement of critical capex items and services.

The University of KwaZulu-Natal's School of Laboratory Medicine and Medical Sciences Board meetings were attended by jointly appointed staff. School meetings with the NHLS academic staff were held and chaired by the Registrar Academic leader, who is the coordinator for the Registrar programme. Discussions revolved around motivating academics to pursue post-graduate studies, in particular, PhD degrees, KPAs, the undergraduate curriculum, post-graduate support, the visual learning project, the ROBOT system, etc. The issue of poor performing registrars was discussed with HoDs who were advised that the school now had a Registrar Impairment Committee.

International Agency for Research in Cancer (IAPC) meetings were held to address operational and academic matters that escalated from the PMC level and other matters, as per the Umbrella Agreement. The local Bilateral Agreement between University of KwaZulu-Natal and NHLS KwaZulu-Natal Academic Complex has not been signed off by the university yet. The School's Operational Manager and Academic Leader also attended the PMC meeting to ensure that academic challenges are highlighted and resolved, and that teaching, training and research platforms are optimised for delivery. Other IAPC meetings with Durban University of Technology (DUT) and Mangosuthu University of Technology (MUT) were also attended, and challenges were raised at these forums.

Constant interaction with clients has strengthened the relationships with ststakeholders, the DoH, the Department of Agriculture Fishery and Forestry, the South African National Defence Force, Correctional Services Centres, and municipalities. This interaction happens at all levels, i.e. laboratory managers attending hospital management meetings, PHC meetings and clinic visits; business managers attending district health meetings, city health meetings and visits, etc.

Constant engagement of an onsite Pathologist (Microbiologist) and pathologists from IALCH, who are doing outreach services to Ngwelezane, General Justice Gizenga Mpanza, Queen Nandi and Eshowe hospitals, have improved the confidence of our stakeholders, who have commended NHLS for the decision. An outreach service coverage for other departments is still provided to all levels of care using various communication channels made available to NHLS and DoH. Interaction with clients has strengthened the relationship with KwaZulu-Natal's DoH. This interaction happens at all PHC, Hospital and District levels. Stakeholder's training needs are a priority and are provided on request, or as and when the need arises.

### Limpopo

Relations with stakeholders were maintained through different types and levels of engagement throughout the year. NHLS participated by bringing the mobile laboratory during the Word Aids Day commemoration in Mopani, Greater Tzaneen Municipality at Mahela Group Farms in Letsitele Area, and during a provincial commemoration of World TB Day hosted in Vaalwater, in Waterberg. Various supplier engagements for service delivery improvement and related partnerships, ANOVA Health Institute and USAID.

### Mpumalanga

Stakeholder relations in the NHLS Mpumalanga province were continuously managed through engagements at different levels and through different programmes.

The Laboratory and Blood Transfusion meetings were attended where inputs were made to improve the management of costs and specimen rejections in pathology services by the different hospitals.

The Service Level Agreement (SLA) meetings were attended throughout the year to ensure a continued good relationship between NHLS and the provincial DoH.

The NHLS participated in health-related campaigns hosted by clients, i.e. the Provincial World TB Day, which was held in the Ehlanzeni District.


*Image 10: Provincial World TB Day (Thulamahashe, Bushbuckridge Local Municipality).*

A customer satisfaction survey was conducted to measure the quality-of-service delivery and identify gaps. An overall satisfaction score of 93% was achieved during this financial period and improvement plans were put in place where performance was not satisfactory.

### North West

The main stakeholders for the North West Business Unit are the North West Department of Health, the Department of Correctional Services and the South African National Defence Force. Regular meetings with these stakeholders are attended as and when invited. However, the North West Department of Health meetings such as Phuthuma and events plenary meetings were attended regularly. In addition, provincial SLA quarterly meetings were also attended. These meetings were used to strengthen working relationships with the North West Department of Health including district and sub-district health managers who are our major stakeholders.

The business unit also enhanced and maintained a healthy working relationship with the North West Department of Health's Deputy Director for Laboratory Services by regularly engaging her office on various issues that needed laboratory interventions such as Electronic Gatekeeping (eGK), rejection rate, MCDS and age analysis reports. In the same vein, we attended annual events such as World AIDS Day, which was held in Dr Ruth Segomotsi Mompati district – Huhudi township, and the World TB Day commemoration in Ngaka Modiri Molema district – Zeerust. Moreover, Laboratory Managers are also attending Clinical Meetings at their local laboratories. Additionally, there has been interaction between North West Laboratories and private partners such as SEAD and Aurum Institute for the benefit of supporting National Priority Programmes.

### Northern Cape and Western Cape

Regular reviews of our customer surveys have identified opportunities for improvement in our service. Laboratories have initiated mitigation for challenges identified and have provided the feedback to our clients. Identified that electronic version of the customer surveys may receive a better response rate, we have provided this for the GPC TB Laboratory and will expand the platform to all laboratory departments.

The Western and Northern Cape management fosters a robust collaboration and partnerships with both public and private health sector departments.

We collaborate with Groote Schuur Hospital on a Corporate Social Investment Project alongside Mediclinic. This initiative targets the alleviation of strain on state facilities by aiding in the reduction of elective surgery backlogs. We also collaborate with Netcare UCT Private Academic Hospital to develop an order entry system, CAREON as well as the City of Cape Town to develop and partially implement an order entry system for patient registrations.

We have developed a training programme with GSH and New Somerset Hospital/UCT medical students and interns to reduce needle stick injuries during blood/sample collection. Also, there has been extensive training for Health Care Workers (HCW) during the period under review to improve the quality of samples received for testing.

In the Northern Cape the client liaison officer actively engages clients at all levels, her duties include training of clients at facility level in relevant laboratory processes, procedures and technology. The onsite training and visits had to be reduced in the second half of the financial year due to the implementation of cost containment measures. A total of three hundred and sixty-seven healthcare workers were trained during one hundred and sixteen engagements and facility visits.

**World TB Day 2024**

The Provincial World TB Day was celebrated at the Thusong Centre in Paarl on 20 March 2024. The event was attended by Nomafrench Mbombo, the Provincial Minister of Health and Wellness, as well as various NGOs.

Our mobile testing van was parked alongside. The TB samples were promptly transported to our Paarl laboratory for urgent testing on an hourly basis.

Several non-governmental organisations, including TB HIV Care, MATCH, Anova, and NORSA, emphasised their commitment to preventing the spread of TB and outlined the significant roles they play in achieving this goal.


*Image 11: NomaFrench Mbombo, the Provincial Minister of Health and Wellness attended World TB Day in Paarl.*

South Africa has committed to achievement of the Sustainable Development Goal (SDG) to end TB as an epidemic by reducing TB incidence to 80% by 2030.

Targeted universal testing for TB (TUTT) – was the focus of the NDoH which filtered down to the provinces.

Provinces were set huge targets (WC 500 000 GXP tests) to test various categories of people at risk. While they did not reach this target (they reached 289 000) TB testing had increased by 14% over the previous year.

Our laboratories have also embarked on replacing their current TB analysers. BD Max by Beckton Dickinson and Roche Cobas Systems. Added benefits of these systems is that they can report both INH and Rifampicin. New algorithms have been developed and training has been completed by the NDoH to its health facilities.

## 2.6.2. NATIONAL PRIORITY PROGRAMMES

**Prof Wendy Stevens**
**Director**

**Dr Pedro da Silva**
**Operations Manager**

### Introduction

Together with NHLS business units, the NPP supports the national diagnostic testing and disease monitoring services aiding South Africa's HIV and tuberculosis (TB) programmes. This is achieved through:

- supporting existing testing laboratories through the ongoing provision of technical assistance and training;
- supporting pre-analytic aspects aimed at minimising specimen rejections and improving linkage-to-care and retention-in-care;
- assessment of operational aspects to guide programmatic improvements;
- managing and implementing newly awarded tenders; and
- driving research and development to inform innovations.

Programmes included in the NPP's mandate:

- **HIV:**
  1. disease monitoring: national CD4-count and HIV viral load testing programme;
  2. diagnosis of cryptococcal disease: national reflexed cryptococcal antigen testing programme;
  3. early infant diagnosis (EID): national EID HIV PCR testing programme; and
  4. detection of drug resistance: national HIV drug resistance testing programme.
- **TB:**
  1. diagnosis and detection of resistance to rifampicin: national Xpert® MTB/RIF Ultra testing programme; and
  2. detection of resistance to fluoroquinolones and isoniazid: national Xpert® MTB/XDR testing programme.

### Programme overview

#### National CD4 Count Testing

The focus of the global HIV response has shifted from identifying patients for treatment initiation to measuring the success of HIV programmes. As a result, CD4 testing rates have declined despite continued inclusion in clinical guidelines. Flow cytometry remains the preferred method for assessing the immune status of HIV-infected patients by measuring CD4 counts. It identifies patients with advanced HIV disease, where CD4< 200 cells/µl. This service is offered in 47 NHLS laboratories.

Compared to 2022–2023, a 3.6% national decrease in tested numbers was observed for 2023–2024, 2.18 million versus 2.10 million, respectively. However, the Western Cape and Gauteng provinces showed an increase in tested volumes of 6.0% and 4.8%, respectively. KwaZulu-Natal contributed 30.4% to the total number of tests, followed by Gauteng (21.4%), with the Northern Cape contributing the least (2.7%).

CD4 tests with a count < 100 cells/µl decreased from 9.9% in 2022–2023 to 9.78% in 2023–2024. For the latter period, Limpopo province reported the highest percentage of specimens with CD4< 100 cells/µl (12.2%), and KwaZulu-Natal had the lowest (6.1%). Ten percent of tested specimens reported counts between 100 and 200 cells/µl. Wellness (as indicated by CD4>500 cells/µl) showed a decrease from 47.1% in 2022–2023 to 46.0% in 2023–2024, with KwaZulu-Natal reporting the highest percentage (55.6%) compared to the Western Cape (37.8%).

### National HIV Viral Load Testing

South Africa's HIV anti-retroviral (ARV) programme is the largest consumer of ARV-therapy, globally. In support of the ARV-programme, the NHLS provides HIV viral load (HIV VL) testing at 17 centralised laboratories. The instrument footprint comprises two platforms: 29 Abbott Alinity m and 14 Cobas 8800 instruments.

During 2023–2024, 6.68 million tests were performed, compared to 6.53 million during 2022–2023, constituting a 2.3% increase. The national monthly tested volumes varied between 380 000-614 000. Regionally, KwaZulu-Natal processed the highest proportion of tests (28.6%, 1.91 million), followed by Gauteng (24.45%, 1.63 million). The Northern Cape performed the least number of HIV VL tests, contributing 1.3% of the total.

Of the 2023–2024 tested specimens, 9.0% met the World Health Organisation's (WHO) definition of virological failure (>1 000 copies/mL), while 74.5% were virologically suppressed (using the WHO definition of <50 copies/mL).

### National Reflexed Cryptococcal Antigen Testing

For specimens where CD4 is measured at <100cells/µl, screening for cryptococcal co-infection by reflex testing using a cryptococcal antigen (CrAg) lateral flow assay, is routinely performed at 47 CD4-testing laboratories.

CrAg tested volumes decreased by 7.1% from 2022–2023 (212 000 tests) to 2023–2024 (197 000 tests), with the largest change noted in the North West province with (16.3%) versus a 0.5% increase in KwaZulu-Natal. The national CrAg detection rate for 2023–2024 was 10.5% (9.3% reported for 2022–2023). By region, the highest detection rate was noted for KwaZulu-Natal (6.8%) and the lowest for the Northern Cape province (2.6%). The Western Cape is currently the only province performing reflexed CrAg on specimens reporting CD4 counts of 100-200 cells/µl, reporting an incidence of 2.4% based on 2023–2024 tested specimens.

### National Early Infant Diagnosis HIV PCR Testing

Vertical transmission prevention of HIV is essential to attaining the global goal of ending the AIDS epidemic. EID HIV PCR testing is conducted at 11 centralised laboratories. Testing is performed on ten Roche Cobas 6800/8800 and five Cobas Ampliprep Cobas Taqman (CAPCTM) platforms.

In 2023–2024, 595K HIV PCR tests were performed, in comparison to 661 000 tested in 2022–2023, a 9.9% decrease in test volumes. The national monthly tested specimens ranged from 36 000 to 56 000. KwaZulu-Natal processed the most tests (26.6%, 158 000), followed by Gauteng (22.6%, 134 000). The Northern Cape tested the least number of specimens, 1.7%.

HIV PCR detection rates fell from 1.4% in 2022–2023 to 1.3% in 2023–2024, with KwaZulu-Natal having the lowest detection rate of 0.9% and the Northern Cape having the highest rate at 1.7%.

## National HIV Drug Resistance Testing

Where clinically indicated, testing for HIV drug resistance is conducted at five NHLS laboratories using Sanger Sequencing.

Tested volumes decreased by 44.0% in 2023–2024, compared to 2022–2023. Most tests are performed for clients residing in Gauteng and KwaZulu-Natal. The Northern Cape and Limpopo provinces submit the least number of specimens for HIV drug resistance testing.

Protease inhibitor resistance was most prevalent in the North West (44.0%) and Mpumalanga (39.0%) provinces. The lowest prevalence of protease inhibitor resistance was detected in Gauteng (19.0%) and the Western Cape (19.0%). Integrase inhibitor resistance was most prevalent in the Northern Cape (67.0%) and North West (55.0%) provinces. The lowest prevalence of integrase inhibitor resistance was detected in Limpopo and Free State provinces.

## National Xpert® MTB/RIF Ultra Testing

The GeneXpert footprint, operational for more than a decade, spans 173 laboratories, which operate 433 Xpert instruments of varying capacity (232 GX4, 191 GX16, 4 GX48, and 8 GX80).

For 2023–2024, 2.87 million tests were conducted nationally, with KwaZulu-Natal contributing the highest at 36.4% and the Northern Cape the lowest (2.7%). Tested volumes continue to report an increase from the significant decline observed during the strictest lockdown periods implemented during the COVID-19 pandemic. For 2023–2024, a 12.1% testing increase is reported compared to 2022–2023.

The average national TB detection rate, among those tested, was 6.6% in 2023–2024. The Western Cape reported the highest detection rate (14.0%) and KwaZulu-Natal the lowest (3.6%). The trend remains unchanged from 2022–2023. Of all test results reported in the review period, 1.2% detected 'trace', the lowest measurable level of *Mycobacterium tuberculosis* complex (MTBC) genetic material. For 2023–2024, 6,4% of positive specimens were rifampicin resistant. The highest resistance rate was reported for Mpumalanga (9.6%) and the lowest in the Free State (5.2%). Comparatively, the average rifampicin resistance detection rate in 2022–2023 was 5.1%.

The national average test error rate was 0.7% for 2023–2024 (0.9% for 2022–2023), well within acceptable limits.

## National Xpert® MTB/XDR Testing

In specimens where MTBC is detected, the assay detects isoniazid resistance-associated mutations, ethionamide resistance-associated *inhA* promoter mutations only, fluoroquinolone resistance-associated mutations, and second-line injectable drug-associated mutations. The assay is performed on GeneXpert instruments necessitating ten-colour functionality. In support of the national rollout of the shortened oral drug-resistant anti-TB treatment regimens, the assay was implemented across 15 centralised laboratories as a component of the drug-resistance TB-reflex testing workflow for clients where rifampicin-resistant TB was identified. Implementation was completed during 2023–2024.

The potential benefits of introducing the assay are a reduction in public health expenditure through a reduction in the number of repeat tests, compared to previous testing modalities, and a significantly improved turnaround time due to its low complexity.

During 2023–2024, 15 409 tests were conducted nationally (65.4% from concentrated specimen sediment and 34.6% from cultured isolate), with KwaZulu-Natal contributing 47.2% of tested volumes and the Northern Cape contributing 1.6%. Testing of concentrated sediment yielded an MTBC detection rate of 61.2%. All tests entering the drug-resistant TB-reflex workflow are specimens collected from clients diagnosed with rifampicin-resistant TB. The lower detection rate for sediment is explained by the higher detection limit of the Xpert® MTB/XDR assay compared to the Xpert® MTB/RIF Ultra.

The lower detection rate may also be attributable to inappropriate specimen referrals. In contrast, and as expected, an MTBC detection rate of 98.4% was reported when testing off-culture isolates.

Isoniazid resistance rates varied between 39.1% and 41.4% for sediment and culture isolate testing, while fluoroquinolone resistance varied between 6.2% and 8.0% for sediment and cultured isolate, respectively.

## Programme changes

### Implementation of National Tenders

Implementation of the national CD4 testing tender, adjudicated to Beckman Coulter in November 2022, continued in 2023, with Phase 1 concluded by July 2023. All MPL flow cytometers were replaced with Aquios cytometers. Forty Aquios instruments were installed across 17 laboratories. In total, 99 Aquios systems are currently operational.

The HIV VL tender was awarded, effective 1 January 2024, on an outright purchase model to a single supplier, Abbott. Implementation includes the expansion of the number of HIV VL laboratories from 17 to 28. The goal of expansion is to improve turnaround time. The 11 new laboratories are located at Potgieterus, Tshilidzini, Middleburg, Tshwane Academic, Chris Hani Baragwanath, Port Shepstone, Hlabisa, St. Patricks, Greenpoint, Kimberley, and Rustenburg hospitals. Specimens will be rerouted from the already established laboratories to the new additions in a staggered manner as these are deemed ready. Fifty-three instruments will be installed across the 28 laboratories, with implementation expected to be completed at the end of June 2024.

Implementation of the 2023 EID tender award is nearing completion. The Cobas Ampliprep Cobas Taqman (CAPCTM) instruments are being phased out by the supplier as of 31 March 2024. The Roche Cobas 5800 instruments will replace existing CAPCTM instruments at the Groote Schuur, Tygerberg, and Chris Hani Baragwanath laboratories. The remaining EID testing laboratories will be utilising Roche's Cobas 6880 (nine units) and Cobas 8800 (two units) instruments.

The TB-molecular testing tender, effective 1 April 2023, was adjudicated to Cepheid's Xpert® MTB/RIF Ultra assay at 82 low-throughput, Becton Dickinson's MAX™ MDR-TB assay at 75 medium-throughout, and Roche's Cobas® MTB and MTB-RIF/INH assay at eight high-throughput testing laboratories. On a reagent-placement deal, 82 additional GeneXpert instruments, 103 BD MAX™, two Cobas 8800, 12 Cobas 6800, and three Cobas 5800 instruments will be installed across the TB-molecular testing footprint. At the end of the review period, 91 BD Max™ instruments had been installed at 68 laboratories, with 36 of the 75 sites assigned to go live with testing (Figure 1). In respect of the Roche installation base, seven Cobas systems have been placed at four of the eight laboratories assigned. The completion of implementation is anticipated by mid-2024. Of the sites assigned to the MAX™ MDR-TB testing, 74,920 tests were conducted from October 2023 to March 2024, with an MTBC detection rate of 5.8% and an error rate of 0.7%.

## Outputs

### Validations

Although dried blood specimens are the most common specimen type received for HIV diagnosis under the national EID testing programme, whole blood specimens are also received. Since the CAPCTM instrumentation is being phased out and is currently being replaced by the Roche Cobas 5880 platforms under the new tender, validation of whole blood on this platform is required. Validation is currently ongoing at the Groote Schuur and Tygerberg virology laboratories.

A new assay (TaqPath Seq HIV-1 Genotyping Kit, ThermoFisher), covering the protease, reverse transcriptase, and integrase genes, was validated at all five HIV drug resistance testing laboratories. The advantage is that by including integrase testing, the kit offers reduced costs and will allow all drug resistance testing sites to offer integrase resistance testing (previously only offered at three of the five testing laboratories).

With the introduction of two new TB-molecular testing platforms, under the TB-molecular testing tender, national validations were completed for both Becton Dickinson's MAX™ MDR-TB and the Cobas® MTB and MTB-RIF/INH assays.

### Contributions to National and International Committees and Guidelines

Dr L. Coetzee was invited to contribute to the medical intern scientist curriculum discussion hosted by the Health Professions Council of South Africa (HPCSA) in February 2024.

Two staff members (Prof L. Scott and Dr L. Hans) were elected as co-chairs of the Africa Diagnostic Advisory Committee (DAC). The Africa Centers for Disease Control and Prevention (CDC) and the African Union Development Agency-New Partnership for Africa's Development (AUDA-NEPAD) established the DAC to provide laboratory support towards strengthening regulatory systems for diagnostics in Africa. The DAC aims to develop a list of priority diagnostics for the Africa CDC list of priority diseases of epidemic potential, strengthen diagnostic evaluations on the continent by supporting existing centres of excellence, and build capacity in other centres throughout Africa. The inaugural meeting was attended in Dakar (August 2023) and a follow-up meeting was held in Nairobi (November 2023).

The NHLS is a member of the African Society for Laboratory Medicine's (ASLM) Laboratory Systems Strengthening Community of Practice (LabCop) sub-group, represented by Dr K. Chetty, Dr L. Hans, Dr N. Cassim, and S. Sarang. The group attended the ASLM LabCoP Satellite meeting held on 11 December 2023, in Cape Town, South Africa. LabCoP is an initiative supporting knowledge 'co-creation' and exchange to accelerate the scale-up of high-quality laboratory services in Sub-Saharan Africa. The theme of the meeting was Strengthening Laboratory Systems and Networks: Better Data for Better Action. The meeting focused on how well data gathered from LabCoP assessments, conducted since 2017, has been used to inform public health and programmatic decisions regarding laboratory systems and diagnostics.

Contributions to the 2023 national ART-treatment clinical guidelines for the management of HIV in adults, pregnancy and breastfeeding, adolescents, children, infants, and neonates were provided by Dr K. Steegen, chair of the NHLS HIV Drug Resistance Committee, a sub-committee of the Virology Expert Committee. In addition, contributions to the WHO's HIV Drug Resistance Report for 2024 were submitted. Dr Steegen co-chaired the WHO's HIV Resistance Network Laboratory Strengthening Working Group and participated in the NDoH's HIV Drug Resistance Committee and the Third-Line ART Committee.

Prof L. Scott and L. Noble participated in, and are members of, the WHO's Target Product Profile Development Group for readers of rapid diagnostic tests.

Technical advisory inputs to local and international partners were provided by various staff members to the Bill and Melinda Gates Foundations' Addressing TB Diagnostic Gaps roundtable discussion (Revolutionising TB Diagnostics: A Journey from What is Known to the Unknown, February 2023); The Disrupt TB II Consortium meeting (Beyond Sputum: Harnessing Tongue Swabs as a Viable Specimen for TB Diagnosis, June 2023); the South African Medical Research Council (Medical Devices and Diagnostics Technical Support, November 2023); and the NHLS' Research Innovation Committee (November 2023).

South Africa commenced the process to apply for validation of the path to the elimination of vertical transmission of HIV, syphilis, and the hepatitis B virus. Dr L. Hans is a representative of the laboratory arm of the South African National Validation Committee and received training on the WHO validation process. The preliminary engagement was to prepare South Africa's application to receive certification and achieve Bronze Status by 2025 as per WHO criteria and processes.

## Quality Assurance

Although many quality control aspects are strengthened and monitored through NPP support activities, three new components were introduced during the review period.

In parallel with the introduction of the Xpert® MTB/XDR assay, proficiency testing panels were distributed. The first round of assessments was completed in November 2023 with all testing sites achieving maximum scores.

With the diversification and implementation of the two new WHO-endorsed moderate complexity platforms (Becton Dickinson's MAX™ MDR-TB and Roche's cobas® MTB and MTB-RIF/INH assays) as part of the national TB-molecular tender, verification panels were distributed, deeming newly installed instruments fit-for-purpose, as part of preparations to initiate live testing.

## Technical and Clinical Training and Support

The NPP ensures equivalence of testing through national standardisation of instrumentation, test methods (through national standard operating procedures), quality control, and turnaround time performance monitoring. This is achieved through training, site visits, audits, tender implementation, verification of new or relocated equipment, and ongoing assessment of programmatic indicators.

On-site training was conducted at 14 laboratories in 2023–2024, with 65 trainees certified for CD4 and CrAg testing. Four additional courtesy site visits were performed to assist laboratories with workflow assessments.

A successful HIVVL Abbott super-user training, for existing Alinity m users, was held at the Tygerberg Virology Laboratory, Cape Town, from 4–8 September 2023. Representatives from the following laboratories attended: Addington, Madadeni, Edendale, INkosi Albert Luthuli Central, Port Elizabeth, Nelson Mandela Academic, East London, Tshepong, Groote Schuur, and Tygerberg (Figure 2). In addition, during 2023–2024, 25 site support visits were completed.

An EID super-user training workshop was held at the Roche Scientific Campus from 13-17 November 2023. Delegates from the following laboratories attended: Charlotte Maxeke, Tshwane Academic, Port Elizabeth, Nelson Mandela Academic, Edendale, and Ngwelezane. Furthermore, during 2023–2024, 13 site support visits were conducted.

The purpose of clinical healthcare facility support visits is to identify untrained healthcare workers and to guide and support those who have previously been trained. It is valuable to trace and monitor HIV-positive neonates linked to care at these facilities and review adherence to national guidelines in terms of clinical management. Further, visits allow troubleshooting of missed diagnostic opportunities (due to rejection of inadequately collected specimens) and thus trigger interventional training. In 2023–2024, 77 healthcare facilities were visited, with audits conducted in 62 of these (80.5%). Training activities targeted 897 healthcare workers during the review period.

For 2023–2024, 519 laboratory staff (technologists and technicians) have been trained on technical aspects related to Xpert® MTB/RIF Ultra and BD MAX™ MDR-TB. Fifty-two site support visits were completed.

## Externally Funded Activities aimed at System Strengthening

Through the Global Fund to Fight AIDS, Tuberculosis, and Malaria's COVID-19 Response Mechanism 2.0 (C19RM2.0), funding was received to strengthen the national health system and inform the national response to disease outbreaks such as SARS-CoV-2 through building next-generation sequencing capacity. Pathogen sequencing has been proven to be a powerful tool to understand transmission dynamics, and pathogenicity, as well as in vaccine, drug, and diagnostics development and surveillance. However, this technology is also valuable to improve capacity for minimal residual disease screening, and monitoring for HIV and TB drug resistance.

Each of the existing five HIV drug resistance testing laboratories was equipped with next-generation sequencing platforms and supporting laboratory equipment, which included -20°C and ultra-low temperature freezers, fridges, microcentrifuges, fluorometers, magnetic stands, and pipette sets. Next-generation sequencing instrument installation and training were completed at three of the five sites by the end of the financial year. The availability of these instruments will allow for cross-disciplinary use of state-of-the-art technology to improve the national health system.

The CDC-funded activities are aimed at strengthening the pre- and post-analytical phases at the facility level, focusing on the use of eLABS', a digital health intervention, to strengthen the clinical-laboratory-client interface in the HIV VL value chain across the 27 U.S. President's Emergency Plan for AIDS Relief (PEPFAR)-supported districts. The focus for 2023–2024 was eLABS' continuous quality improvement by monitoring seven indicators. Of a total of 2 059 facilities in PEPFAR-supported districts, 738 were selected, assessed, and supported, to foster future sustainability. Further, a desktop version of the eLABS tool was introduced.

### Research and Development to Strengthen Programmes

The NPP works closely with the R&D team of the Wits Diagnostic Innovation Hub, University of the Witwatersrand, under the leadership of Prof L. Scott. With external support and strategic partnerships with sponsors, policymakers, regulators, technology developers or industry and clinical collaborators, the team performed landscape reviews, developed testing panels for evaluations, performed laboratory and clinical evaluation trials, conducted data analysis, navigated compliance frameworks, and disseminated knowledge. Outputs are in the form of evaluation reports for the NHLS' Health Technology Assessment (HTA) unit under the Quality Assurance Division (including verification and validation data for accreditation), publications and recommendations for technology registration through the South African Health Product Regulatory Authority (SAHPRA), as well as knowledge support for several NHLS Expert Committees.

The evaluation, feasibility, and usability of laboratory and POCT platforms for identifying MTBC (including drug resistance), SARS-CoV-2, human papillomavirus (HPV), D-dimer, INR, HbA1c, full blood count/haemoglobin, and CD4 were performed through the *Innovation:* Laboratory Engineered and Accelerated Diagnostics (iLEAD) programme funded by the Bill and Melinda Gates Foundation, the Foundation for Innovative New Diagnostics (FIND), and the European and Developing Countries Clinical Trials Partnership (EDCTP). The clinical diagnostic evaluations of Roche's cobas® MTB and MTB-RIF/INH, Becton Dickinson's MAX™ MDR-TB, and Cepheid's® Xpert MTB/XDR assays performed in South Africa contributed to WHO policy recommendations and ultimately NHLS uptake.

The laboratory and clinical evaluations of the LumiraDx (Lumira) POCT technology have contributed to the optimisation of their multiplex POCT assays in the context of HIV, TB, and SARS-CoV-2 coinfected clients, as the platform was donated to the NHLS during the COVID-19 pandemic.

Evaluations of SARS-CoV-2 (and influenza A and B, and respiratory syncytial virus) rapid antigen tests for SAHPRA were completed as an NHLS reference laboratory function. Evaluation of several SARS-CoV-2 next-generation sequencing platforms and bioinformatics pipelines were performed in collaboration with the virology team to expand knowledge and future applications to TB and HIV services.

The investigation of the off-label use of alternative clinical specimens remains an ongoing focus. The role of oral tongue swabs for the identification of MTBC continues to be investigated, as tongue swabs hold much promise for diagnosing TB in patients unable to expectorate and are being investigated for wide-scale specimen collection beyond clinical facilities. Investigations into the performance of oral tongue swabs on all the current TB molecular testing platforms within the NHLS are ongoing. Similarly, self-collected vaginal fluid, using swabs, is being investigated for HPV and sexually transmitted infection testing on available molecular platforms within the NHLS.

Through National Institutes of Health (NIH) funding, the team provides support through data algorithm development, continuous quality monitoring, and GIS-linked mapping.

### Publications

For the review period, 22 manuscripts were published in peer-reviewed international journals (15 of which were either first or last authorship) and two manuscripts in local journals (both as first-authors).

Both Profs L. Scott and W. Stevens were invited as lead guest editors for a Special Issue of the Diagnostics Journal, MDPI, ISSN 2075–4418 entitled Highlights of Molecular Laboratory Diagnostics in South Africa.

Prof L. Scott was invited to chair or co-chair at three international meetings.

### Conference Presentations

During 2023–2024, 54 abstracts were accepted at conferences, 15 at national meetings, and 39 at international gatherings. Of those accepted at local conferences, three were in poster format and 12 in oral format. Thirty-three abstracts were delivered as in-person presentations, of which 39 was accepted internationally.

*Image 1: Becton Dickinson MAX™ MDR-TB basic training, Pelonomi Microbiology Laboratory.*


*Image 2: HIV viral load super-user training for Abbott's Alinity m instrument, Tygerberg Virology Laboratory, Cape Town, 4-8 September 2023.*

## 2.6.3. ACADEMIC AFFAIRS, RESEARCH AND QUALITY ASSURANCE

**Prof Koleka Mlisana**

**Executive Manager: Academic Affairs, Research, and Quality Assurance**

### Introduction

The main objectives of the AARQA Division of the NHLS are to strengthen the academic affairs, teaching and training, as well as the research and innovation mandate of the organisation whilst maintaining and providing quality improvement processes throughout the platform. The division comprises two departments, namely: Academic Affairs and Research (AAR), and Quality Assurance (QA) that are collectively responsible for overseeing the implementation and management of the strategic and operational mandate of the division, nationally (Figure 1).

AARQA is responsible for the maintenance and establishment of effective partnerships with faculties of health sciences across South African medical universities, comprehensive universities (CUs) and universities of technology (UoTs).

In collaboration with the Area Managers, the QA Department is responsible for:

- Enhancing the NHLS QA systems and processes;
- Maintaining and acquiring accreditation and certification of the laboratories and support service departments across the country; and
- Managing all NHLS laboratories, private pathology laboratories and other African and United States of America laboratories' proficiency testing schemes (PTSs).

AARQA is responsible for maintaining and establishing effective partnerships with health science faculties at South African medical universities, comprehensive universities (CUs) and universities of technology (UoTs).

AAR is also responsible for overseeing the management and support of the implementation, monitoring, and evaluation of research strategic initiatives of the NHLS and the financial administration and management of grant-funded projects within the organisation. The department consists of the following three offices:

- Research Development and Innovation;
- Monitoring and Evaluation;
- Grants Programme Management; and
- Grant Finance Management.

# Research, Development and Innovation

## Teaching, Training and Research

An amount of R230 million was transferred to the NHLS for teaching, training, and research (TTR) during the 2023–2024 financial year. The TTR grant is awarded to the NHLS by the government sector to ensure adequate implementation of the TTR needs of the NHLS. There has been a noticeable decrease in the TTR amounts given to the NHLS over the past five years, as illustrated in Figure 1 below.

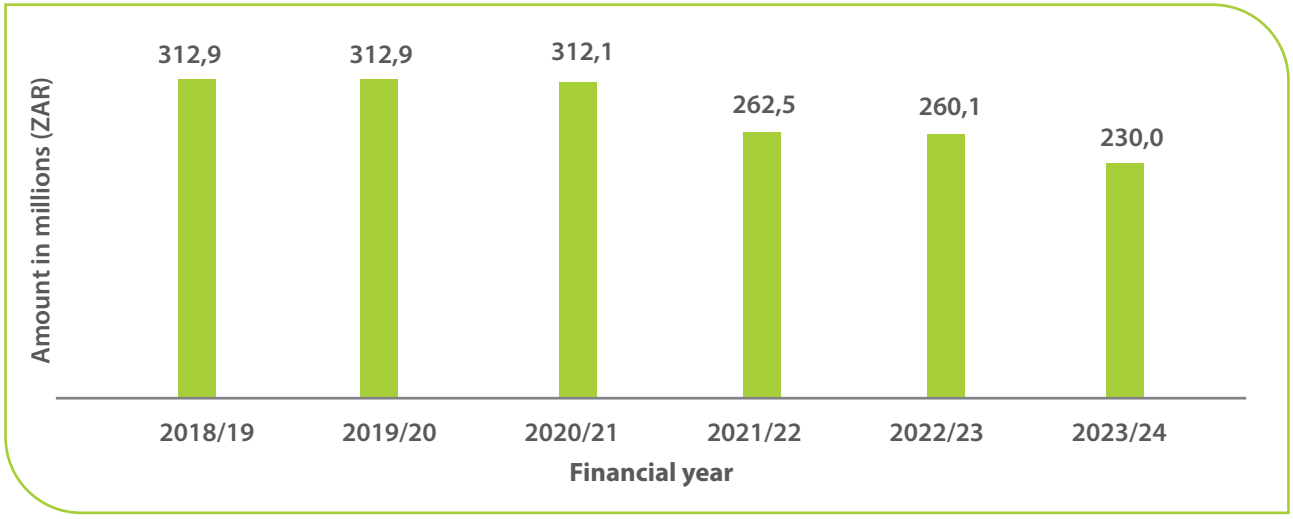



*Figure 1: Teaching, training and research.*

The delivery of the TTR mandate of the NHLS is a shared responsibility between the NHLS and medical universities across South Africa. Vocational training is provided to registrars, intern medical scientists, and student medical technologists working towards qualifications as pathologists, medical scientists, and technologists, respectively, in compliance with the HPCSA requirements.

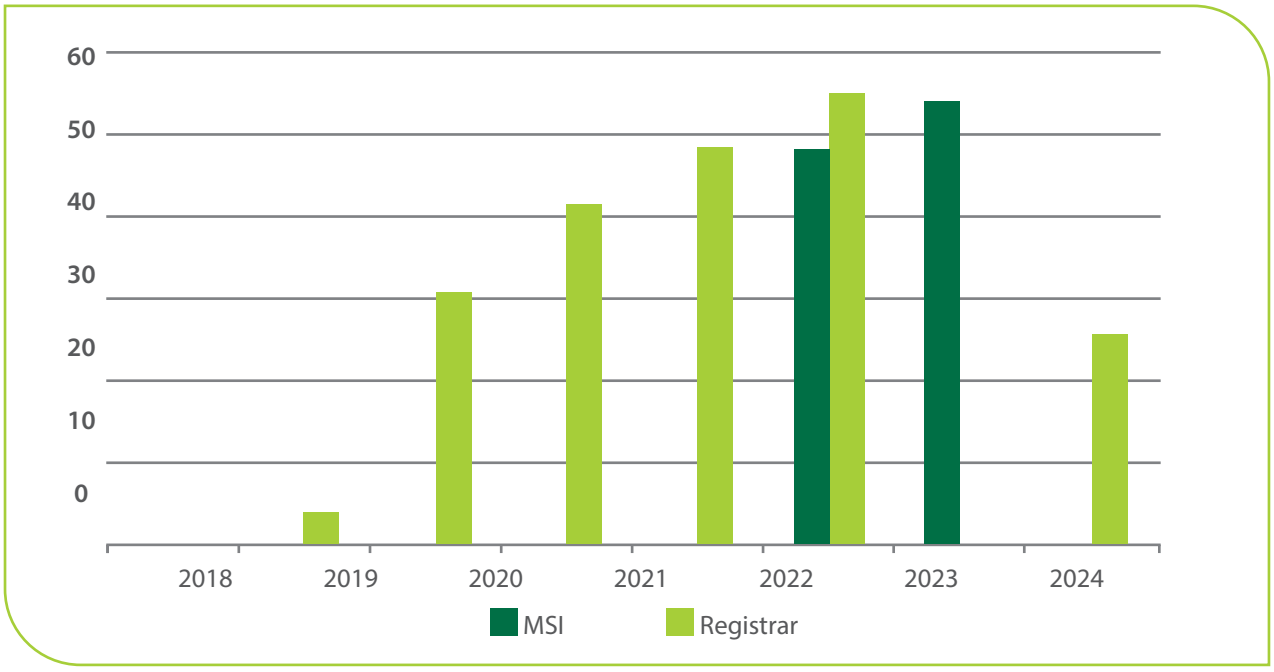



*Figure 2: Trends of NHLS vocational trainees from 2018-2024.*

**Table 1: Current NHLS vocational trainees by discipline as of 31 March 2024.**

| Region | Diploma | BHSc | Articulating Employees | Work Integrated Learning (WIL) | Medical Scientist Interns (MSI) | Registrars | Total |
|---|---|---|---|---|---|---|---|
| Eastern Cape | 13 | 11 | 5 | 13 | 0 | 1 | 43 |
| Free State and North West | 30 | 14 | 1 | 30 | 6 | 21 | 102 |
| Gauteng | 83 | 26 | 8 | 83 | 51 | 133 | 384 |
| KwaZulu-Natal | 36 | 49 | 12 | 36 | 9 | 30 | 172 |
| Limpopo | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Northern Cape and Western Cape | 3 | 30 | 0 | 3 | 20 | 62 | 118 |
| **Total** | **165** | **130** | **26** | **165** | **86** | **247** | **819** |

During the 2023–2024 financial year, there were 819 trainees from various training platforms in NHLS regions. The table above provides more information on the number of trainees in each pathology discipline.

## Registrar and Medical Scientist Intern Training Intake

The NHLS is the sole provider of training for pathology registrars in the country. Each year, the NHLS admits trainees, namely Medical Scientist Interns (MSI) and pathology registrars. The below figure details the number of trainees admitted to the NHLS from 2018–2019 to 2023–2024. In summary, a total of 268 and 346, MSIs and registrars were admitted for training in the NHLS in the past five years.

## Teaching and Training

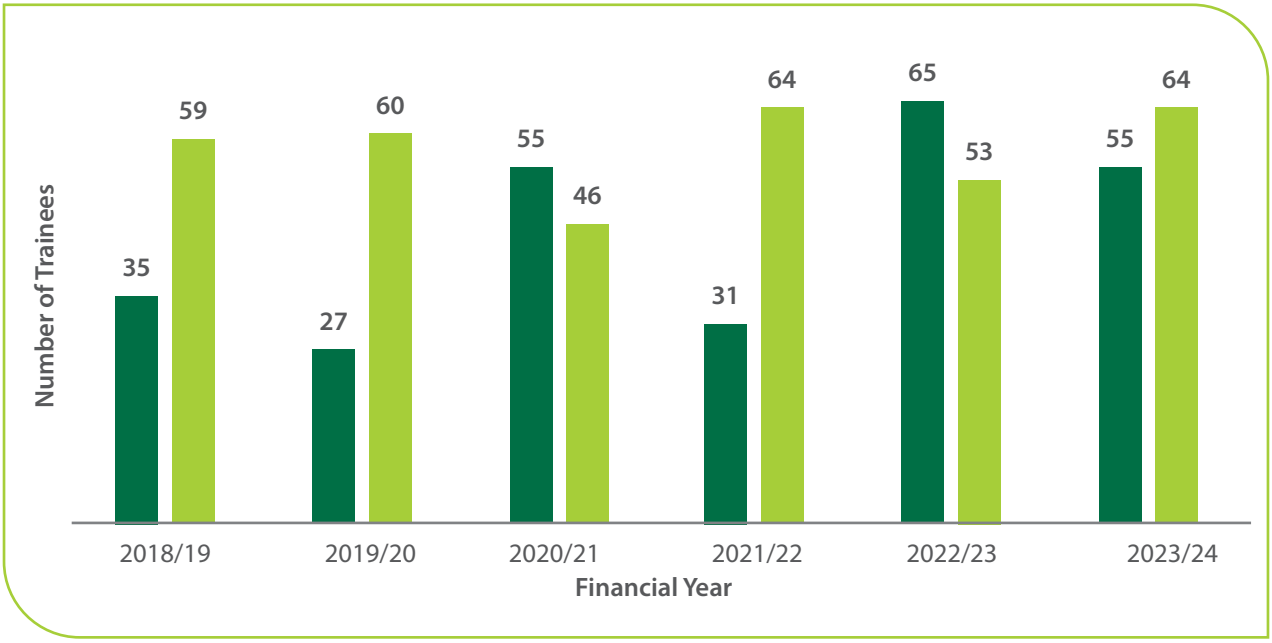



*Figure 3: Number of Registrars and MSI admitted for training in the NHLS.*

## Registrar and Medical Scientist Intern Pass Rate

To date, the pass rate of registrars who are trained to be pathologists, has been increasing for the Colleges of Medicine in South Africa (CMSA) Part I examinations, from 68% (2018) to 71% (2023). As depicted in the graph below, the pass rate for the CMSA Part II (exit) examinations has improved from 40.5% in 2018 to 64% in 2022 and has risen slightly to 67% in 2023.

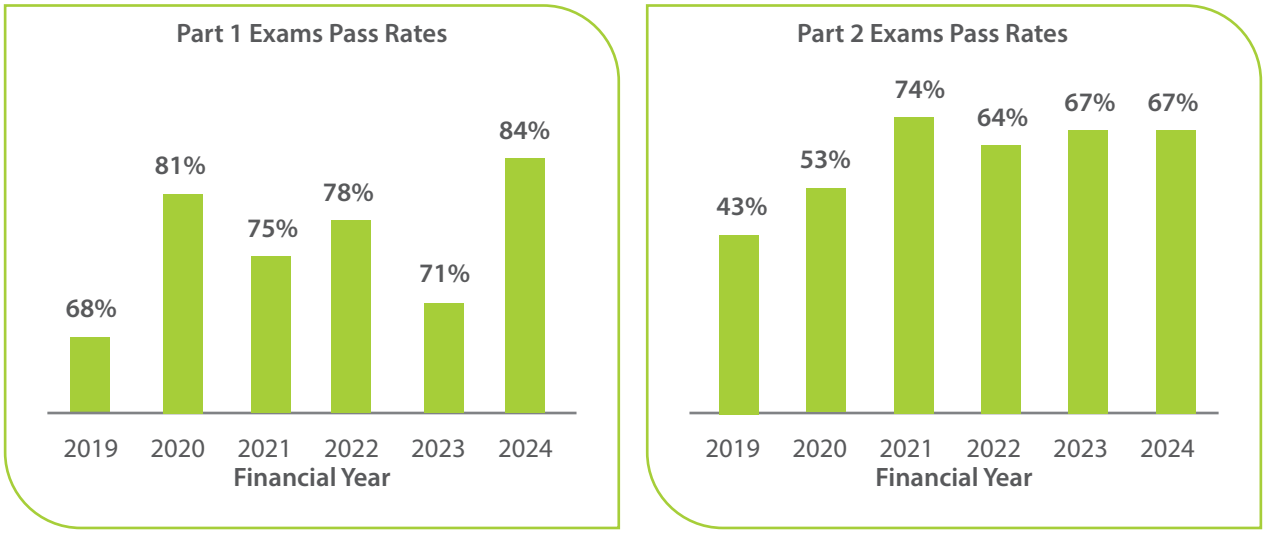



*Figure 4: NHLS registrar pass rates for CMSA examinations for parts 1 and 2, 2023.*

In the fiscal year under review, 55,15 and 16 medical scientists completed their training in 2020, 2021 and 2022, respectively (refer to Table 3 below).

**Table 2: NHLS registrar pass rates for CMSA examinations for parts 1 and 2, 2023.**

| CMSA examinations for parts 1 and 2 | Failed | Passed | All | % Passed |
|---|---|---|---|---|
| **PART I - Total** | **8** | **20** | **28** | **71.4** |
| Anatomical Pathology | 2 | 8 | 10 | 80 % |
| Chemical Pathology | 2 | 7 | 9 | 77.8 % |
| Haematology | 3 | 3 | 6 | 50 % |
| Virology | 1 | 2 | 3 | 66.7 % |
| **Total** | **8** | **20** | **28** | **71.4 %** |
| | | | | |
| **PART II - Total** | **13** | **26** | **39** | **66.7%** |
| Anatomical Pathology | 10 | 6 | 16 | 37.5 % |
| Chemical Pathology | 2 | 8 | 10 | 80 % |
| Haematology | | 7 | 7 | 100 % |
| Microbiology | 1 | 2 | 3 | 66.7 % |
| Oral | | 1 | 1 | 100 % |
| Virology | | 2 | 2 | 100 % |
| **OVERALL TOTAL** | **21** | **46** | **67** | **68.7 %** |

**Table 3: The intern medical scientists completed training and were certified by the HPCSA from 2019 to 2022.**

| Discipline | Year | | | |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | Completed | Completed | Completed | Completed |
| Anatomical Pathology | | 2 | | 2 |
| Chemical Pathology | 4 | 12 | 3 | 7 |
| Genetic Counselling | | 2 | | 1 |
| Haematology/Molecular Biology | 5 | 11 | 5 | 4 |
| Human Genetics | 3 | 9 | | 1 |
| Immunology | | 3 | 2 | 3 |
| Medical Microbiology | | 8 | 4 | 7 |
| Virology | 2 | 8 | 1 | 6 |
| **Total** | **14** | **55** | **15** | **31** |

## Project ECHO

The NHLS Project Extension for Community Healthcare Outcomes (ECHO) stands as an innovative remote training solution, significantly expanding and enhancing the effectiveness of the platform. This dynamic approach facilitates the seamless sharing of knowledge and the comprehensive skill development of laboratory medicine professionals nationwide.

NHLS Project ECHO has been effectively implemented in 110 hubs, spokes, and mini-hub sites, with 44 sites implemented in 2018, 42 in 2019, 6 in 2022 and 18 in 2023. There were no sites implemented in 2020 and 2021 due to COVID-19 restrictions (Figure 5). These sites are implemented at tertiary (11%), regional (29%), district (22%), and national central laboratories (24%) in across the country, as indicated in Figure 6.

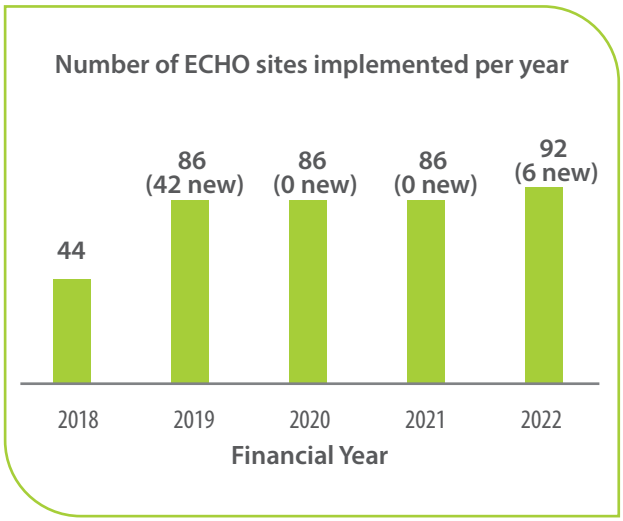



*Figure 5: Cumulative number of ECHO sites implemented from 2018 to 2022.*

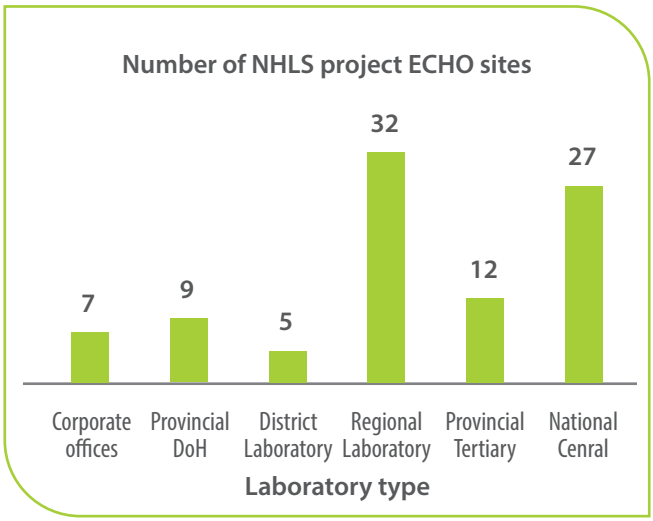



*Figure 6: NHLS Project ECHO sites per laboratory type.*

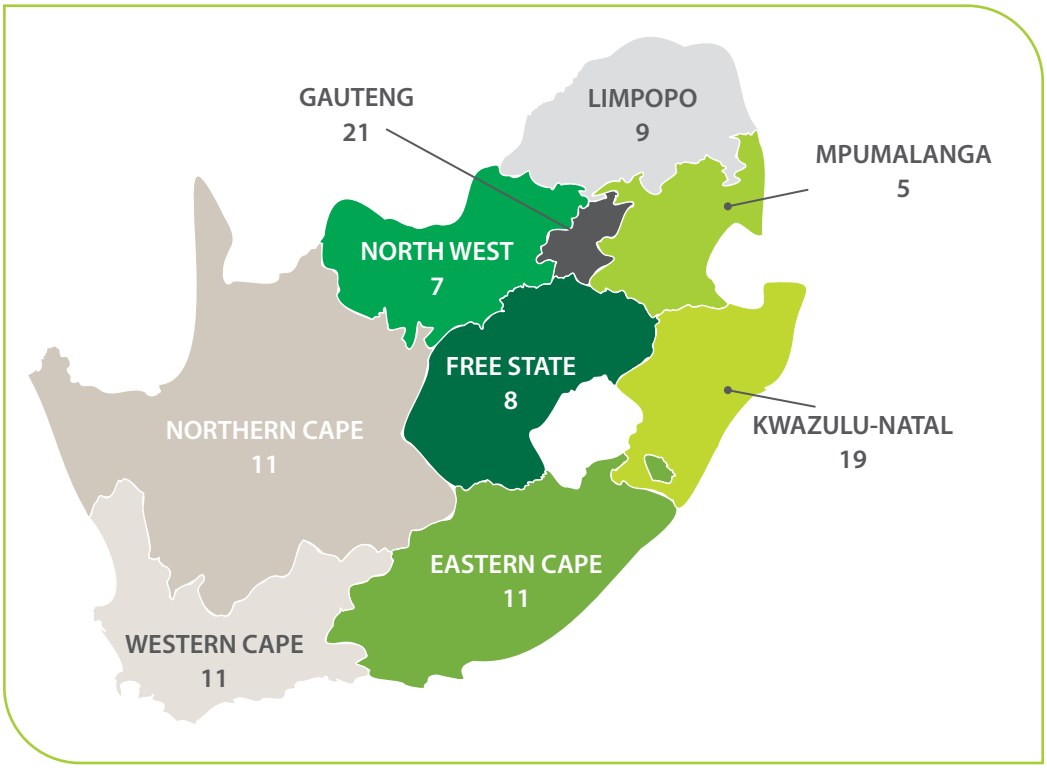



*Figure 7: NHLS Project ECHO sites per region.*

During the 2023–2024 financial year, 236 Project ECHO sessions were conducted, 83% of which were discipline-specific sessions (197), whereas 17% (18) were multi-disciplinary, research, quality assurance, and public health sessions. Sessions were presented by 220 subject matter presenters (Figure 7). Attendance varied widely, with discipline-specific and operational sessions attracting between 285 to 1 021 individual participants each. The attendees comprised registrars, pathologists, professional and intern technicians, technologists, medical scientists, and additional healthcare workers (as outlined in Table 3). The NHLS Project ECHO platform proudly hosted the International Academy of Cytology Virtual Cytology Imbizo in February 2024. The two-day imbizo was attended by 446 attendees and featured 14 local and international presenters.

**Table 4: NHLS Project ECHO sessions per discipline and attendance (April 2023 – March 2024).**

| Discipline | Number of NHLS Project ECHO Sessions | Individual Attendees per Professional Category per Discipline: April 2022 to March 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | April 2022 to March 2023 | Individual Attendees per Discipline | Registrars | Pathologists | Medical Scientists | Technicians & Technologists | Intern Medical Scientists | Intern Technicians & Technologists | Other |
| Anatomical Pathology | 40 | 978 | 130 | 124 | 115 | 464 | 48 | 15 | 82 |
| Chemical Pathology | 78 | 740 | 75 | 63 | 111 | 359 | 56 | 2 | 74 |
| Haematology and Immunology | 35 | 834 | 110 | 90 | 78 | 455 | 38 | 8 | 55 |
| Human Genetics | 7 | 285 | 12 | 25 | 76 | 66 | 32 | 1 | 73 |
| Microbiology | 15 | 826 | 84 | 94 | 121 | 395 | 63 | 7 | 62 |
| Multidisciplinary | 11 | 999 | 55 | 68 | 98 | 504 | 49 | 4 | 221 |
| Operations | - | - | - | - | - | - | - | - | - |
| Public Health | 6 | 547 | 35 | 38 | 79 | 223 | 30 | 3 | 139 |
| Quality Assurance | 15 | 1021 | 33 | 47 | 89 | 616 | 45 | 4 | 187 |
| Research Development and Innovation | 7 | 382 | 10 | 43 | 80 | 175 | 26 | 2 | 46 |
| Virology | 22 | 665 | 71 | 69 | 96 | 310 | 57 | 5 | 57 |

## Research Material and Data Access

The NHLS has continued to support research through the provision of access to data, biospecimens, and other NHLS resources for research purposes. A total of 1 293 applications for access to NHLS resources for research purposes were submitted between 2019–2020 and 2023–2024 (a breakdown of the types of resources requested is shown below). The number of applications dropped sharply from 347 in 2019–2020 to 280 in 2020–2021 and started increasing steadily, reaching 377 in 2023–2024.

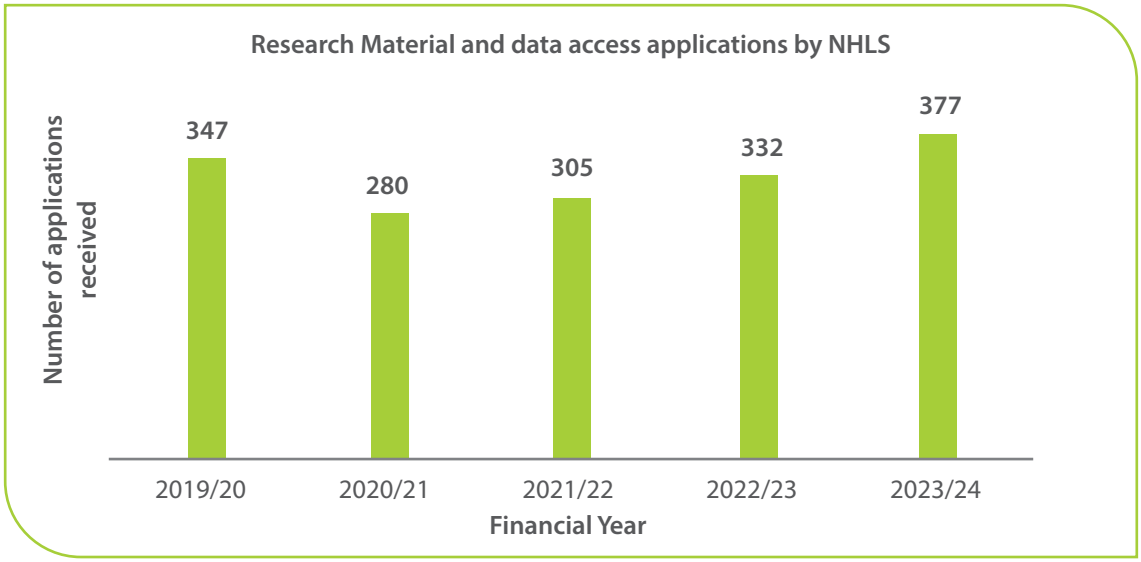



*Figure 8: Research requests received by AAR from 2022-2023 to 2023-2024.*

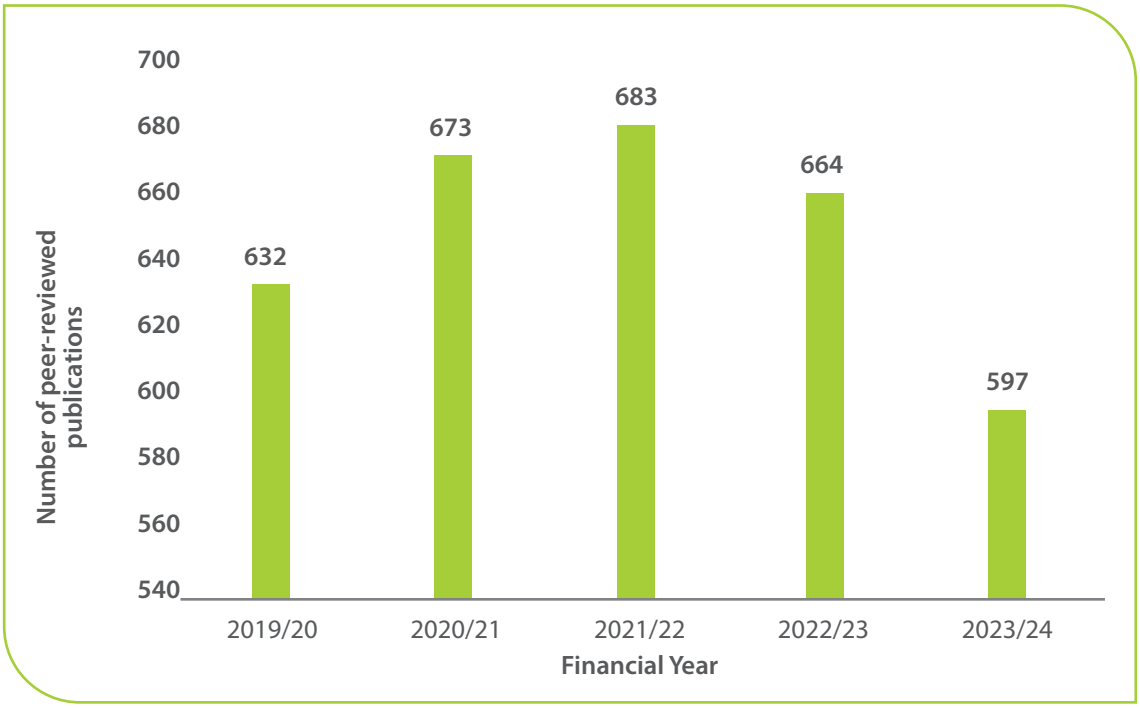



*Figure 9: Number of peer-reviewed publications.*

## Grants finance management support

### Analysis of Project Status

The Grants Finance Office (GFO) managed a total of 325 active projects during the 2023–2024 financial year; 103 new projects were received in the 2023–2024 financial year. The below figure illustrates the number of managed projects in the past four years. There is a decline in the number of projects managed by AARQA, which highlights the urgent need for the NHLS Grants Office to explore new grantors and continuously improve the functioning of the office. A lot of effort has gone into establishing grant management processes and providing support to principal investigators.

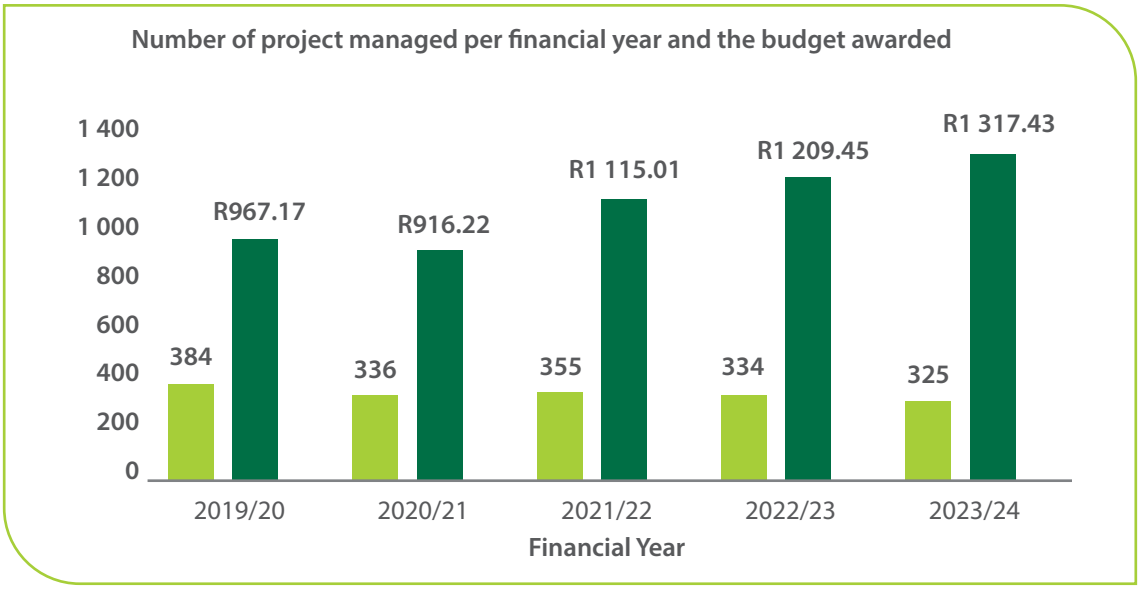



*Figure 10: Number of projects and awarded budget managed by the NHLS grants office.*

The table below shows that the top ten grantors contributed a total of 91% (R1 197 million) of the total budget of R1 317 million. A total of R178 million (14% of the total budget) was spent during the 2023–2024 financial year (Table 5). A proportion of 14% (R185 million) of the total budget was new grants activated in the 2023–2024 financial year (Figure 11).

**Table 5: Top Ten Grantors managed by the GFO.**

| Grantors | Total funding budget | Current year expenditure | Commitments | Total expenditure to date | Available balance | Number of projects | % Spent |
|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Centers for Disease Control and Prevention | R529 539.19 | R87 889.50 | R16 616.42 | R324 693.01 | R188 229.77 | 38 | 64% |
| National Department of Health | R443 960.91 | R36 454.54 | R6 989.56 | R241 848.94 | R195 122.41 | 20 | 56% |
| African Field Epidemiology Network | R38 477.50 | R6 224.94 | R212.95 | R24 254.16 | R14 010.38 | 7 | 64% |
| World Health Organisation | R35 404.19 | R1 920.69 | R16.18 | R29 114.26 | R6 273.75 | 7 | 82% |
| The Biovac Institute | R32 011.44 | R481.34 | R0.00 | R18 640.25 | R13 371.19 | 1 | 58% |
| Department of Science and Technology | R31 974.00 | R453.40 | R0.00 | R29 320.05 | R2 653.95 | 2 | 92% |
| Human Sciences Research Council | R23 272.94 | R4 466.26 | R788.95 | R21 027.49 | R1 456.50 | 1 | 94% |
| WITS Health Consortium | R22 031.64 | R5 026.10 | R1.60 | R16 162.42 | R5 867.63 | 2 | 73% |
| NHLS Research Trust | R21 664.54 | R3 768.29 | R1 035.16 | R8 655.60 | R11 973.78 | 116 | 45% |
| Eco health Alliance | R19 431.49 | R444.49 | R0.00 | R15 328.66 | R4 102.82 | 2 | 79% |
| Other | R119 663.70 | R16 916.46 | R1 883.79 | R54 634.06 | R63 145.85 | 129 | 47% |
| **Total** | **R1 317 431.55** | **R178 046.00** | **R27 544.61** | **R783 678.88** | **R506 208.06** | **325** | **62%** |

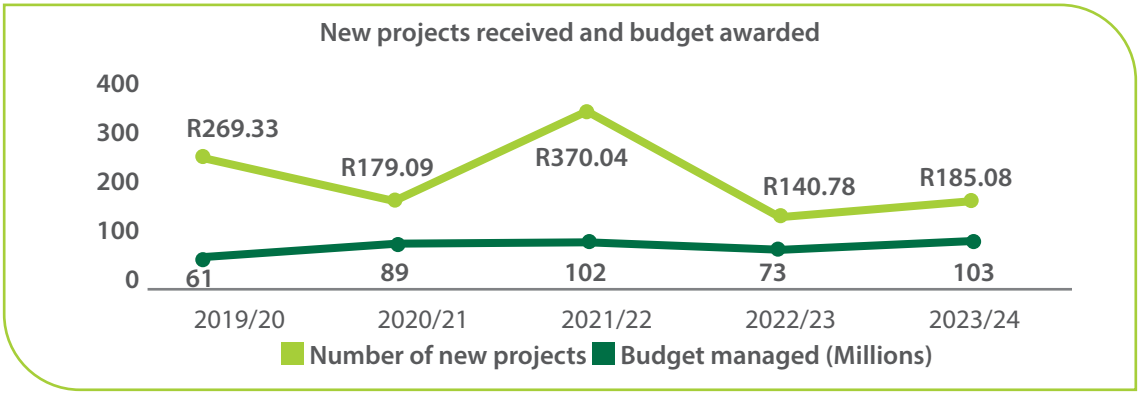



*Figure 11: Trend of new projects received, and budget awarded in the past five years.*

# Research funding

## NHLS Research Trust

A total of 86 applications have been received in the past three financial years, from 2022 to 2024. Nine percent of the applications were for the research grant with a maximum award of R500 000; five percent were for the Research Progression Grant with a maximum award amount of R250 000; and 86 percent were for the Development Grant with a maximum award amount of R100 000.

## Kick-start Project Funding

Kick-start Project Funding (K-Project Funding) serves as a research grant initiative extended by NHLS, designed to stimulate research among NHLS staff members who are embarking on their research initiatives and are currently ineligible for funding from alternative sources. K-Project Funding was created to provide young researchers with the opportunity to attract competitive grants to kick-start their research careers. The ethos of K-Project Funding is to encourage and support developmental research for emerging researchers, including registrars, emerging medical scientists, and other NHLS staff conducting research. The table below provides a summary of the K-Project Funding applications and the status for the 2022–2024 financial years. Of the 44 applications received in the past three years, only one out of 44 (2%) was rejected.

**Table 6: K-Project Funding (2022–2024).**

| Category | 2022 | 2023 | 2024 | Grand total |
|---|---|---|---|---|
| Awarded | 18 | 17 | 2 | 37 |
| Rejected | | 1 | | 1 |
| Withdrawn | 2 | 1 | | 2 |
| Under Peer Review | | | 1 | 1 |
| Amendments requested | | | 2 | 2 |
| Pending Executive Review | | | 1 | 1 |
| **Grand Total** | **20** | **18** | **6** | **44** |

# Quality Assurance Unit

## Accreditation and Certification

The SARS-CoV-2 pandemic had a negative effect on the accreditation and certification progress of the NHLS laboratories and departments. Pandemic-related restrictions affected training, auditing, and coaching for some time until they were replaced by virtual sessions later in the year. Most laboratories and departments had to be closed for some time for decontamination and to isolate staff members. The majority of staff had to stop doing the work they normally do and concentrate on COVID-19-related work. SANAS was not conducting initial accreditation assessments for the first six months of the financial year. Even though remote assessments were conducted, not all laboratories that applied for accreditation went through initial accreditation, as some did not have a stable network connection to allow remote audits to be done by SANAS.

## Accreditation of medical laboratories – International Organisation for Standardization (ISO) 15189:2012

The NHLS continued to increase the number of accredited diagnostic laboratories with a total of 13 new laboratories being accredited during the reporting period compared to 15 in the previous period. The number would have been more if it was not for the publication of the new ISO 15189:2022 standard that forced SANAS to stop accepting applications for accreditation against the ISO 15189: 2012 in January 2023 and planned until November 2023 as they had to transition and train assessors on the new standard.

At the end of the 2023-2024 financial year, the total number of accredited NHLS laboratories was 137/215 (64%); these are distributed across all nine provinces, as seen in the figure below. Twenty-six of these laboratories 26/134 (19%) were on the Strengthening Laboratory Management Towards Accreditation (SLMTA) quality improvement programme funded by the Centers for Disease Control and Prevention and the President's Emergency Plan for AIDS Relief (PEPFAR) programme.

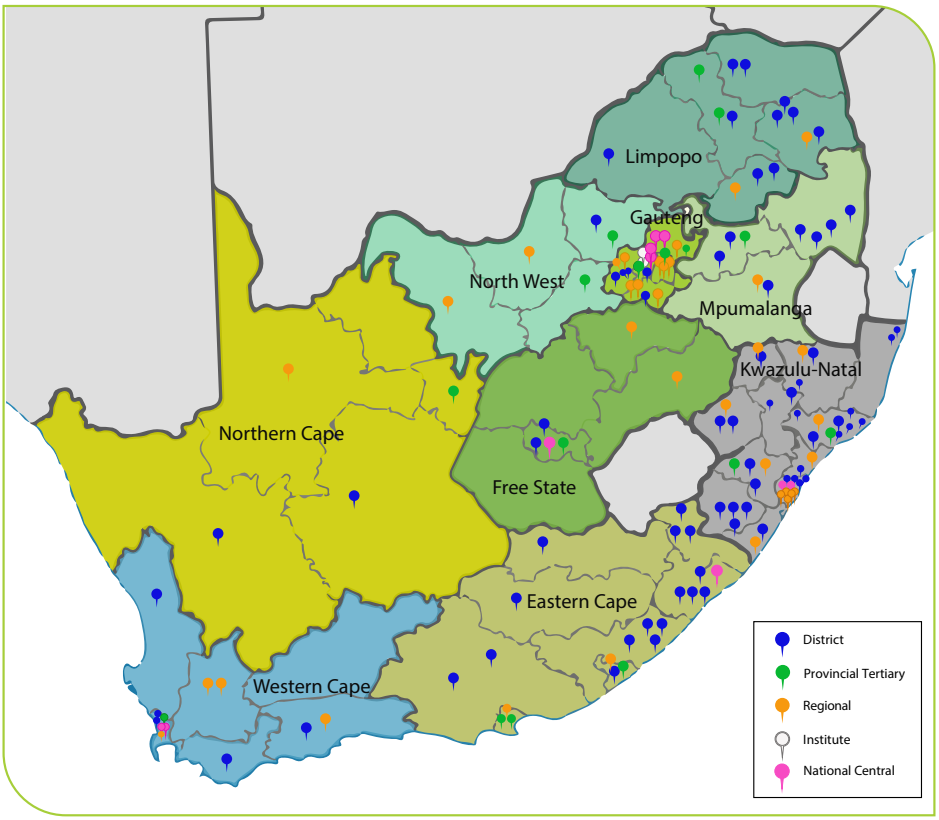



*Figure 12: Accredited diagnostic laboratories in the 2023/2024 financial year.*

The figure below shows that the first laboratory was accredited in the financial year 2000–2001. It also shows the accredited laboratories divided into different tiers of service provision.

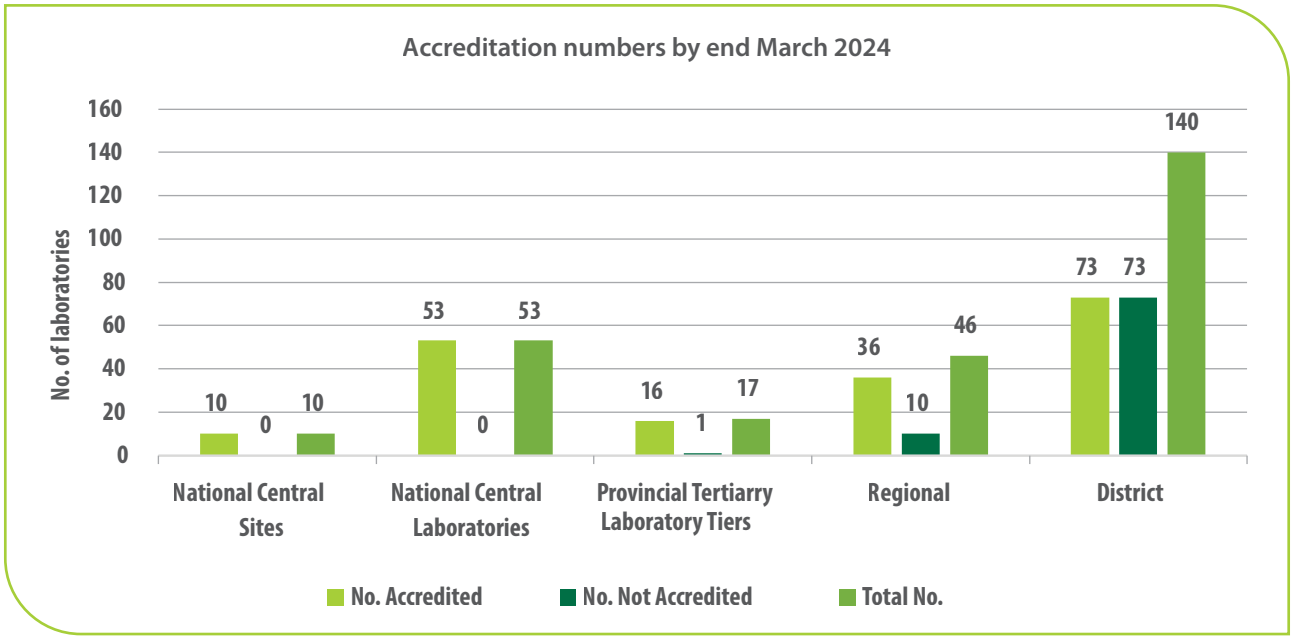



*Figure 13: Accredited laboratories by tier in the 2000–2024 financial year.*

## Accreditation of Occupational Hygiene – ISO/International Electrotechnical Commission 17020:2012

The Occupational Hygiene section of the NIOH maintained its accreditation during the financial year.

## Accreditation of ISO/17025:2017 Laboratories

The total number of accredited laboratories remains at 5/9 (55%). The following laboratories are ISO 17025:2017 accredited:

- CMJ Infection Control;
- Forensic Chemistry Laboratory (FCL) Cape Town;
- NICD;
- NIOH; and
- Public Health in Prince Street.

The outstanding laboratories are:

- FCL Durban;
- FCL Johannesburg;
- FCL Pretoria; and
- Greenpoint.

### Accreditation of Proficiency Testing Schemes (PTS) - ISO/IEC 17043:2010

The number of Accredited PTS increased to 32/35 (91.43%). There were six extensions of scope that included two new schemes, SARS-CoV-2 Antigen and TB and four re-instated schemes that had lost accreditation upon the resignation and retirement of two PTS Managers, namely: Blood gas, Cardiac Markers, General Chemistry and Coagulation.

The following are the three schemes that are not accredited:

- Automated Reticulocyte;
- Endocrine; and
- Hepatitis A IgM.

### Certification of Support Services and DMP – ISO 9001:2015

The number of ISO 9001:2015 certified departments increased to 5/10 (50%) with IT certified in January 2024.

The following departments are ISO 9001 certified:

- DMP – Greenpoint;
- AARQA – QAD;
- NICD;
- NIOH; and
- ICT.

The departments that are not yet certified are:

- Communications;
- DMP Eastern Cape;
- DMP Sandringham (certification lost following closure for renovation);
- Finance; and
- HR.

## Proficiency testing schemes

### PTS Enrolment and Laboratory Performance

QAD continued to measure the quality of results issued by the NHLS laboratories through provision of PTS. In addition to the NHLS laboratories, enrolment in PTS is also offered to private laboratories in South Africa and both public and private laboratories in 24 other countries.

The PTS performance of the NHLS dropped from 99% last year to 91% which is below the annual strategic target of 94% as seen in the figure below. This is the first time since 2018 that laboratory performance target is not achieved, and it is mainly due to non-returns with a total of 312 non returns having been recorded from April 2023–March 2024. Most of them are from KwaZulu-Natal with a total of 79 no returns followed by Western and Northern Cape at 74, Gauteng has the least with 25.

Poor performance on morphology differential count has also contributed and was observed from October when online submission was implemented. The online system require that participants provide precise and prominent features leading to a diagnosis, unlike the old manual system where participants use to include every feature for the PTS Managers to find and mark. Participants lose marks for incorrect or insufficient reporting with the new online system.

The below figure indicates PTS performance:

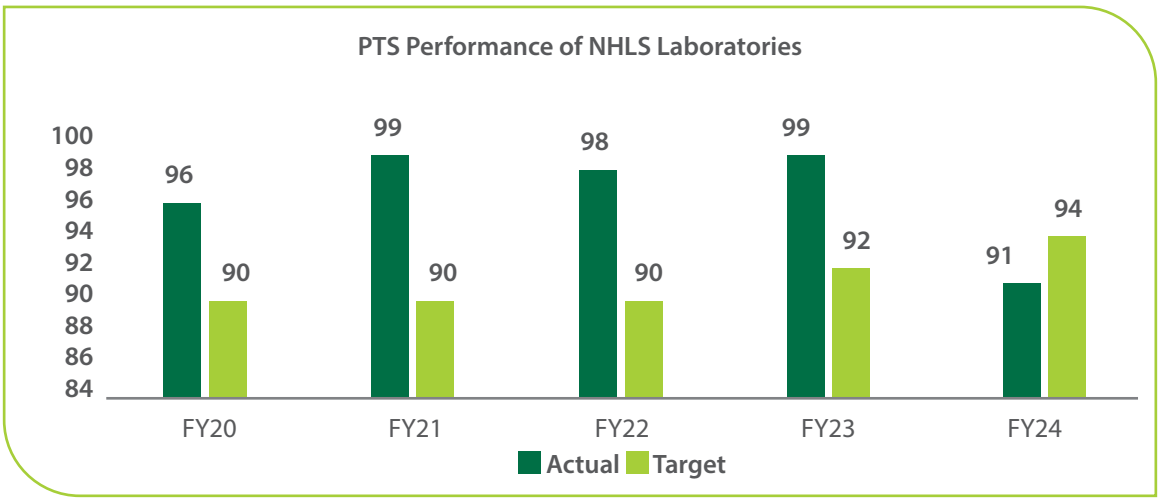



*Figure 14: Average performance of NHLS laboratories on the NHLS PTS over five years.*

### Web-based PTS Software Implementation

The development of the PTS is continuing, with the current contact ending in September 2024. A new tender has been submitted for supply chain management to start the process to secure a new supplier. The AARQA Executive has been requested to indicate the urgency of this tender during the tender discussion in the Executive Management Committee (EXCO) meeting so that it can be completed before the expiry of the present tender. A total of 25/35 (71%) PTS are live, however, three of these schemes have report issues that need to be sorted (Cardiac, Parasitology blood and Parasitology Stool), while four of the outstanding 10 are not on the plans to automate as they were introduced after the tender was awarded.

## Rapid HIV PTS Scheme

The number of POCT enrolled on the HIV PTS from nine provinces increased from 4199 in the previous financial year to 4223 during this reporting period. The overall performance of the health care facilities remained at 97% financial year 2023–2024.

The table below shows the number of facilities participating per province and average performance over two financial years.

**Table 7: Performance and number of South African Clinics enrolled on the NHLS PTS.**

| Province | FY23 | FY24 |
|---|---|---|
| Eastern Cape | 98% | 98% |
| Free State | 98% | 97% |
| Gauteng | 99% | 99% |
| KwaZulu-Natal | 99% | 98% |
| Limpopo | 100% | 97% |
| Mpumalanga | 100% | 100% |
| North West | 99% | 99% |
| Northern Cape | 84% | 85% |
| Western Cape | 95% | 98% |

| | | |
|---|---|---|
| **OVERALL** | **97%** | **97%** |

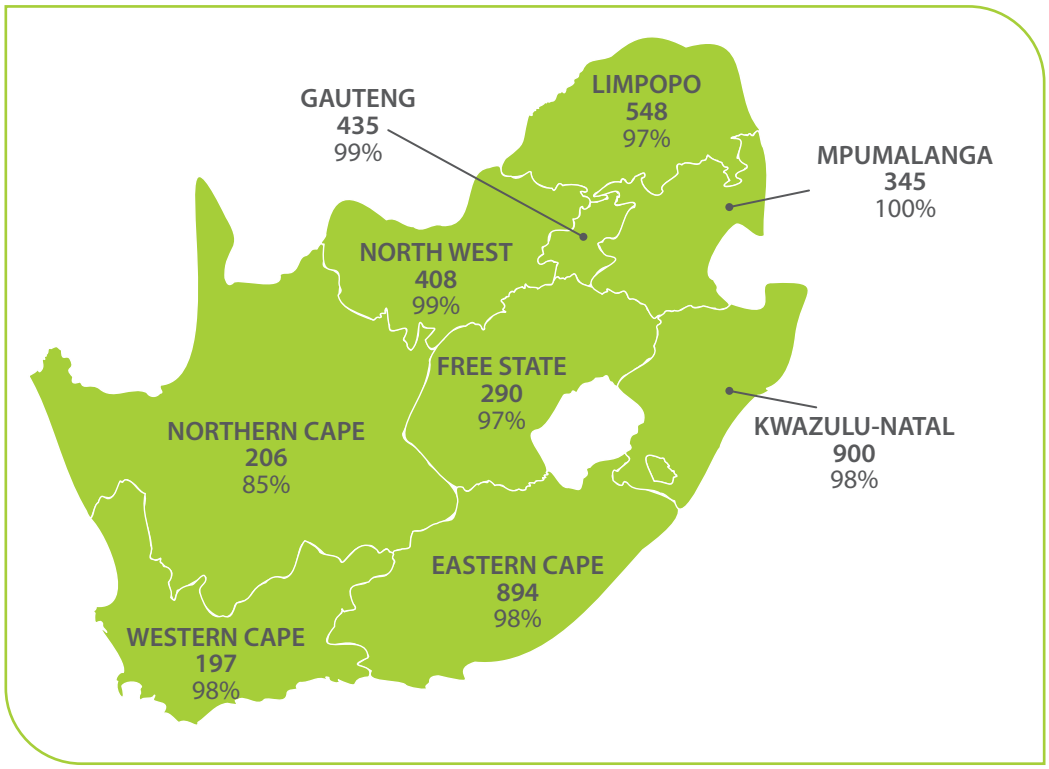



*Figure 15: No. of Participating Clinic Facilities by Province.*

## Quality Compliance Audit

A total of 91 non-accredited laboratories underwent internal QAD-managed quality audits in the reported year (Rob Ferreira departments were individually scored as requested by the business unit), and 30 business unit audits were also conducted. The percentage of laboratories that achieved an average of 80% or more decreased from 100% to 98%, with two laboratories from Limpopo and KwaZulu-Natal achieving less than 80%.

The average percentage achieved is 94%, and it is the exact percentage target set for the APP.

Below are the Quality Compliance Audit results over five financial years:

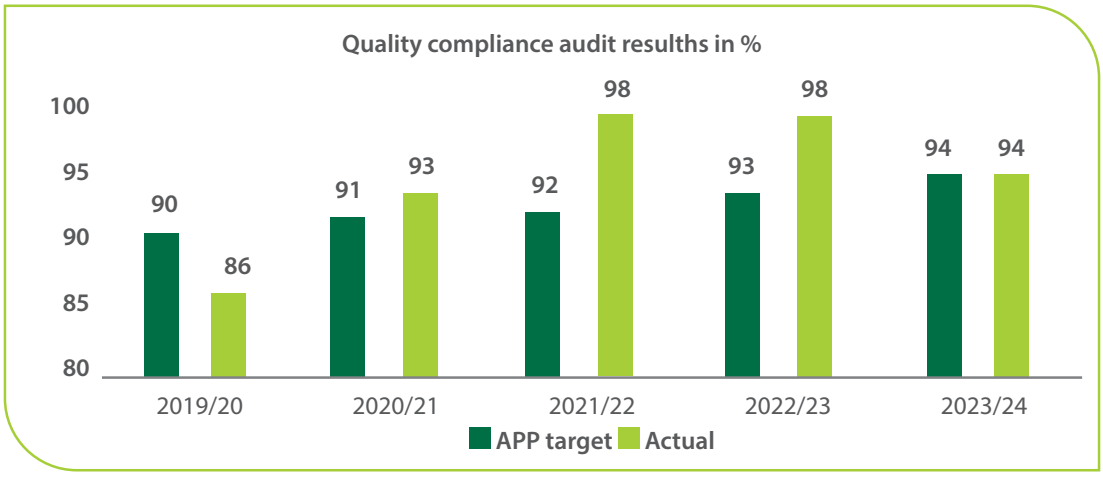


*Figure 16: Quality compliance audit results over five financial years.*

## Health Technology Assessment (HTA) Unit

The HTA unit of the NHLS continues to ensure that the NHLS complies with various ISO standards for the selection of suppliers of devices that yield critical results. The unit continued to work closely with the NDoH, SAHPRA, and suppliers of in vitro devices in the NHLS to evaluate the performance of devices before they were made eligible for procurement.

The HTA Unit received a total of 57 applications, compared to 46 in the previous financial year. The applications received were instrument upgrades, a new instrument, a new reagent, a POCT instrument, a POCT reagent, and reagent upgrades.

The figure below shows the activities related to HTA for the last five financial years.

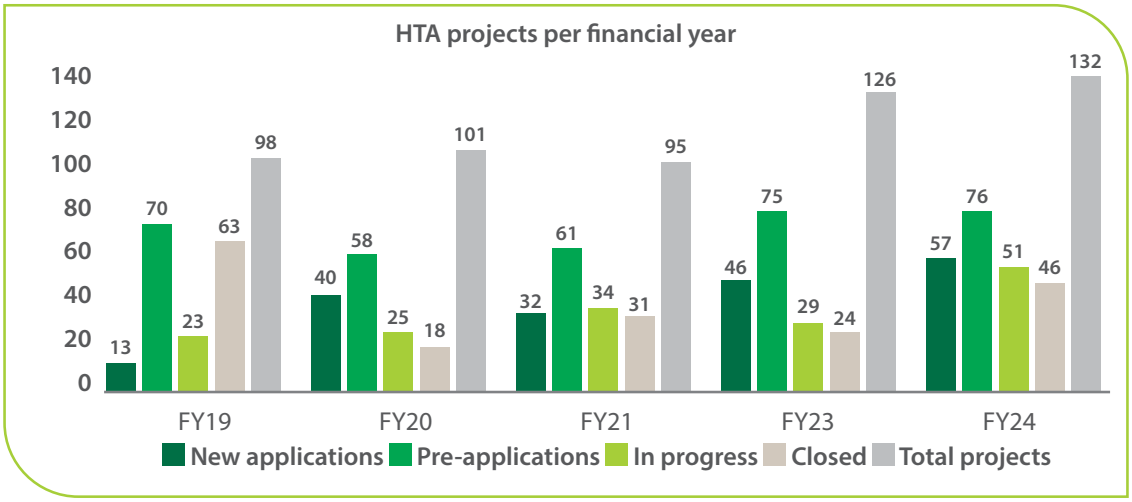



*Figure 17: Summary of HTA activities over five years.*

# 2.7. PERFORMANCE INFORMATION BY INSTITUTES

## 2.7.1. NATIONAL INSTITUTE FOR COMMUNICABLE DISEASES

**Prof Adrian Puren**

**Director: National Institute for Communicable Diseases**

### Introduction

The National Institute for Communicable Diseases (NICD) is a national public health institute for South Africa that provides disease surveillance, specialised diagnostic services, outbreak response, public health research, and capacity building to support the government's response to communicable disease threats. The NICD supports public health responses, including policy advice and technical support to the NDoH and many other national and international stakeholders, including the WHO and the Africa CDC.

The NICD comprises seven disease-focused centres with a range of specialist staff. The NICD maintained its accreditation status for the reporting period for three ISO/IEC standards: ISO/IEC 15189: 2022, ISO/IEC 17025, and ISO/IEC 9001.

### Centre for Emerging Zoonotic and Parasitic Diseases (CEZPD)

The diseases of concern to the Centre include those caused by high-consequence zoonotic pathogens and neglected tropical infections. These diseases include diseases listed as Category 1 Notifiable Medical Conditions (NMCs) such as viral haemorrhagic fevers (VHFs) (Ebola virus disease, Crimean-Congo haemorrhagic fever, Lassa fever and Marburg virus disease), anthrax, botulism, yellow fever, plague, Rift Valley Fever (RVF), rabies, mpox and malaria. The Centre also reports on diseases listed as Category 2 NMCs, such as brucellosis, schistosomiasis (or bilharzia), and soil-transmitted helminthic infections (STHs), and Category 3 NMCs, such as endemic and non-endemic arboviral infections. The other neglected tropical diseases (NTDs) include leptospirosis, opportunistic parasitic infections, and other emerging zoonoses such as Nipah virus disease. The CEZPD operates highly specialised laboratory facilities, including biosafety level 3 and level 4 facilities, entomology laboratories, and insectaries, including a mass-rearing facility.

The Special Viral Pathogens Laboratory (SVPL) is the national reference laboratory for human rabies in South Africa. The laboratory offers various tests for ante-mortem and post-mortem diagnosis. The SVPL curates a database of epidemiological and clinical information for all confirmed, probable, and suspected rabies cases and contributes to accurate reporting of rabies as a Category 1 NMC through a passive surveillance approach. The Centre performed 91 tests for suspected rabies cases between 1 April 2023 and 31 March 2024. During the reporting period, outbreaks of rabies in domestic dogs were reported from districts in KwaZulu-Natal and the Eastern Cape provinces. During the reporting period, the CEZPD confirmed 14 confirmed human rabies cases from South Africa.

Scabies is an NTD, and in February 2024, CEZPD provided laboratory investigations and support for a suspected scabies outbreak in a mental health facility in the Eastern Cape. A cluster of tanapox cases from the Mpumalanga province was laboratory-confirmed during the first quarter of 2024. Eight cases were confirmed by polymerase chain reaction (PCR) testing of lesion swabs and involved individuals who resided or worked in the southern parts of Kruger National Park and an adjacent reserve during February and March 2024. The CEZPD provided laboratory and outbreak investigation support to aid in detecting and reporting this cluster.

The SVPL provides referral diagnostics for Ebola, Marburg, Crimean-Congo haemorrhagic, Lassa and other *Mammarenavirus* infections and yellow fever through a passive surveillance approach. The SVPL operates high and maximum containment facilities, which allow for the safe and secure handling, testing, and storage of specimens for suspected and confirmed cases of VHF. A total of 164 tests were conducted to investigate suspected cases of VHF from 1 April 2023 to 31 March 2024.

## Centre for Enteric Diseases (CED)

The Enteric Diseases Centre focuses on six surveillance streams: foodborne diseases, waterborne diseases, routine surveillance (comprising epidemic-prone diseases such as cholera, enteric fever and listeriosis), rotavirus, diarrhoeal disease syndromic surveillance, and genomic surveillance of priority enteric bacterial pathogens.

The Centre reported 120 laboratory-confirmed cases of enteric fever from eight different provinces. The majority of cases were from Gauteng (54%, 65/120), followed by the Western Cape (23%, 28/120) and Eastern Cape (6%, 7/120) provinces. No cases were reported from Limpopo. No cases of enteric fever caused by *Salmonella* Paratyphi A, B or C have been reported during this period. A total of 376 clinical specimens and isolates were tested in the National Cholera Surveillance. Of these, 200 were confirmed as cases of *Vibrio cholerae* and further characterised as toxigenic serogroup O1 *Vibrio cholerae* (196 cases) and non-toxigenic, non-O1 *Vibrio cholerae* (four cases).

The Centre tested 51 non-human isolates from water and food samples; one was identified *as Vibrio cholerae* 01 Inaba and one as *Vibrio parahaemolyticus*, 42 were non-toxigenic non-O1 *Vibrio cholerae* and seven were negative for *Vibrio cholera. A total of 78* laboratory-confirmed cases of listeriosis were reported from eight provinces. Most cases were from the Western Cape (31%, 24/78), followed by Gauteng (27%, 21/78) and KwaZulu-Natal (23%, 18/78). No cases were reported from the Northern Cape. Persons aged 15-49 years accounted for 44% (34/78) of cases, followed by neonates at 23% (18/78) and 65 years and older at 13% (10/78) of cases.

Diarrhoeal disease sentinel surveillance is active at seven sites in five provinces. During the reporting period, 635 cases were enrolled (233 from Mpumalanga, 132 from the North West, 135 from Gauteng, 122 from the Western Cape, and 13 from the Free State). Children ≤5 years constituted 69% of cases (438/635), with a median age of 10 months. Patients >5 years comprised 31% (197/635) of enrolments, with a median age of 29 years. Most cases (377/635, 59%) were inpatients. Where results were available, among children up to 15 years of age, 2.2% (9/418) were HIV-infected, while 36% (52/144) of adults 16 years of age or older were HIV-infected. Outcome data was available for 85% (540/635) of the enrolments, with 95% (513/540) of the cases discharged and three deaths reported. Rotavirus was detected in 14% of the specimens screened (91/635), with the highest detection rates and case numbers between July and September 2023.

Through core-genome multilocus sequence typing (cgMLST) analysis of whole genome sequencing (WGS) data, clusters were previously identified in the North West (one cluster) and Gauteng (two clusters), and the spread and establishment of the North West Klerksdorp typhoid fever cluster strain into other provinces was demonstrated. Before the current reporting period, a cholera outbreak was declared in South Africa in February 2023. From 1 January through 31 March 2023, 11 confirmed cholera cases were identified (toxigenic *Vibrio cholerae* O1 serotype Ogawa) in Gauteng (Ekhuruleni and City of Johannesburg). The first three cases were imported or import-related cases following travel to Malawi. All subsequent cases acquired infections locally and were classified as indigenous cases.

During the 2023–2024 reporting period, the Centre responded to ten food and waterborne disease outbreaks with epidemiologic and laboratory testing support as needed. A total of 195% of foodborne disease outbreaks were reported through NMC or other sources, and 89% (173/195) were followed up, 24% (41/173) did not meet the case definition, while 76% (132/173) were confirmed foodborne disease outbreaks. Gauteng accounted for most of the outbreaks at 29% (38/132), followed by KwaZulu-Natal (27%; 36/132) and the Eastern Cape (14%; 19/132). Many reported outbreaks were not investigated further because of insufficient epidemiological data and the absence of clinical, food and environmental sample collection and testing.

## Centre for Healthcare-Associated Infections, Antimicrobial Resistance and Mycoses (CHARM)

CHARM incorporates two national reference laboratories for antimicrobial resistance (AMR) and mycoses and houses the pathogenic bacteria and fungi national stock culture collection. It functions as a WHO AMR Collaborating Centre and is the national focal point for WHO's Global Antimicrobial Resistance and Use Surveillance System (GLASS). CHARM's epidemiology team supports priority surveillance projects, conducts outbreak investigations, and is involved in setting up and evaluating public health programmes.

The Centre investigated several healthcare-associated outbreaks during the period under review, notably a large national outbreak of Wickerhamomyces anomalus (previously Candida pelliculosa) from a contaminated medical product widely used by healthcare facilities and the public. The investigation led to the South African Health Products Regulatory Authority issuing a Class 1 Type A recall of this product. Outbreaks of fungal infections are increasingly reported and investigated by the Centre, including a post-cataract surgery fungal infection outbreak in the Western Cape province and a single case of antifungal-resistant ringworm infection in KwaZulu-Natal province published in the South African Public Health Bulletin (https://www.phbsa.ac.za/antifungal-resistant-ringworm/).

## Centre for HIV and STIs (CHIVSTI)

The Centre for HIV and STIs (CHIVSTI) has a strong track record in the disciplines of HIV virology, HIV immunology, HIV/STI epidemiology, HIV/STI diagnostics, and HIV-STI interactions. The Antenatal HIV Survey is a biennial survey for monitoring trends in HIV prevalence, incidence, coverage of HIV testing, viral load suppression, and the syphilis cascade among pregnant women attending antenatal care at 1 589 public sector primary care facilities (sentinel sites). The survey found that HIV prevalence among pregnant women had declined by 2.5% points since the previous survey, representing the first decline in more than a decade. HIV testing and antiretroviral treatment (ART) coverage among pregnant women were nearly universal. Still, there was a decline in the proportion of women who started ART before pregnancy compared to the previous survey. There was also sub-optimal viral suppression (<50 copies/ml) at 74.1%. There was high pre-exposure prophylaxis (PrEP) eligibility but very low coverage among the eligible (6.5%). There was also an increase in the prevalence of syphilis among pregnant women. Since the report's publication, NDoH has been working with partners to scale up PrEP during pregnancy.

The Human Sciences Research Council (HSRC) conducts a South African National HIV Prevalence, Incidence, Behaviour, and Communication Survey (SABSSM) once every three years for this purpose. In 2021, the HSRC conducted its sixth survey (SABSSM V1). The survey ended in April 2023. SABSMM V1 is a cross-sectional survey of a household-based, nationally representative sample of adults and children. COVID-19 antibody testing was included to estimate the proportion of previously infected and/or vaccinated people at the national and provincial levels. The sample size was 50 348 over the nine provinces in South Africa, and data collection was stopped at the end of April 2023. Promising decreases in HIV prevalence, coupled with high community viral load suppression, (VLS) (81%), point to the impact of South Africa's National HIV Response. Progress has been made towards South Africa's 95-95-95 adult treatment targets: 90% of adults knew their status, 91% of those diagnosed were on ART, and 94% of those on ART were virally suppressed.

The Sixth South African National HIV Prevalence, Incidence, Behaviour, and Communication Survey continued in 2023 and aimed to address concerns related to the development of drug-resistant HIV in South Africa. This survey also focused on monitoring the emergence of drug resistance to dolutegravir, an integrase inhibitor that was integrated into the treatment guidelines in 2020.

Among the 51 170 samples collected during the study, 1 172 had unsuppressed viral loads; of these, 1 168 were selected for drug-resistance testing. The preliminary data from the survey revealed that 47% of patients with unsuppressed viral loads carried drug-resistance mutations. Specifically, 1% exhibited resistance to protease inhibitors (PI), 10% had resistance to Nucleoside Reverse Transcriptase Inhibitors (NRTI), 34% had resistance to Non-Nucleoside Reverse Transcriptase Inhibitors (NNRTI), and 0.8% had resistance to integrase inhibitors.

In 2023–2024, the STI aetiological surveillance continued with the recruitment of patients in the three primary healthcare facilities in Gauteng, KwaZulu-Natal, and the Western Cape. The surveillance is used to validate the current STI syndromic management guidelines. *Neisseria gonorrhoeae* (80%) remained the most typical cause of male urethritis discharge syndrome, while bacterial vaginosis (59%) and vulvovaginal candidiasis (29%) are more prevalent in vaginal discharge syndrome. The relative prevalence of *Treponema pallidum* among patients presenting with genital ulcers was 29%.

## Centre for Respiratory Diseases and Meningitis (CRDM)

The CRDM houses the National Influenza Centre (NIC) for South Africa, which forms part of the expanded WHO Global Influenza Surveillance and Response System (e-GISRS). The NIC continued to support WHO by serologic and genetic characterisation of influenza viruses to guide the composition of the annual seasonal influenza vaccines, RSV and SARS-CoV-2. The NIC provided technical assistance and capacity building to other countries in the region to strengthen the diagnosis and characterisation of respiratory viruses, including training on virus isolation, the haemagglutination inhibition assay, whole genome sequencing and bioinformatics analysis. NIC activities are important in improving the detection, prevention and control of influenza and other respiratory viruses for pandemic preparedness. CRDM was designated a WHO Coronavirus Network (CoViNet) laboratory in March 2024.

Influenza vaccination guidelines were updated to include updated guidance during COVID-19. In addition, CRDM staff contributed data and expertise to the NAGI RSV working group, which will advise NDoH on introducing newly available prevention approaches for RSV in infants. The Centre is represented on the WHO Technical Advisory Group on SARS-CoV-2 Virus Evolution (TAG-VE), which advises the WHO and monitors and evaluates the evolution of SARS-CoV-2. Prof Cheryl Cohen was appointed vice chair of the WHO Technical Advisory Group on COVID-19 Vaccine Composition (TAG-CO-VAC), which periodically reviews the evidence and analyses the implications of emerging variants of concern (VOCs) on the performance of COVID-19 vaccines.

National pneumonia surveillance continued to operate in six provinces. The programmes describe the burden, risk groups, seasonality, and characteristics of SARS-CoV-2, influenza, RSV, and *Bordetella pertussis*. Systematic surveillance for outpatient influenza-like illness (ILI) and suspected pertussis is ongoing at outpatient public sector clinics in four provinces. The Viral Watch surveillance network of general practitioners operated in eight provinces. Pneumonia and systematic ILI programmes included systematic tuberculosis testing among individuals aged ≥18 years and COVID-19 vaccine effectiveness evaluation.

## Centre for Tuberculosis (CTB)

During the year under review, the CTB continued and refined its laboratory-based TB surveillance programmes. The CTB continued to issue weekly results for action (RfA) reports, covering drug-susceptible and drug-resistant TB, to assist TB programme managers and facilities in tracking, tracing, and linking people into care and treatment. The automated quarterly surveillance reports of the number of TB patients diagnosed with laboratory-confirmed pulmonary TB were updated to include the GeneXpert MTB/XDR and the BD Max MDR-TB assays, which the NHLS implemented during the

year. Furthermore, linkages between laboratory-confirmed rifampicin-resistant pulmonary TB cases and the Electronic Drug-Resistant Tuberculosis Register (EDRWeb) were implemented to facilitate linkage to care for patients with drug-resistant TB (DR-TB).

The Centre continued to provide monthly reports assessing the implementation of the SMS notification system for TB-nucleic acid amplification tests (TB-NAAT) as part of the National TB Recovery Plan. The CTB, in collaboration with the National TB Programme (NTP), analysed Bedaquiline (BDQ) and fluoroquinolone (FLQ) resistance data from July 2019 to November 2023, utilising routine NHLS data. Following the release of new DR-TB reflex testing guidelines in March 2023, there was a notable surge in national BDQ phenotypic drug susceptibility testing (pDST) volumes, with varying provincial coverage. Implementing the new guidelines revealed a higher number of BDQ-resistant FLQ-susceptible (BDQ-R, FLQ-S) TB cases compared to BDQ-R FLQ-resistant (XDR-TB) cases in certain months, underscoring the significance of the new testing approach.

The Centre participated in the NDoH's World TB Day-TB Symposium on BPaL-L and the emergence of BDQ resistance, held in Johannesburg in March 2024, by invitation from the Minister of Health. The CTB reported the emergence of BDQ resistance based on laboratory surveillance of TB drug resistance. The symposium further provided information on the impact of this on the clinical management of drug-resistant TB and identified mitigating interventions to address the emergence of resistance.

## Centre for Vaccines and Immunology (CVI)

The CVI provides support and expertise in the epidemiology and virology of vaccine-preventable viral diseases. The Centre has made great strides in the reporting period to test for other vaccine-preventable viruses in environmental surveillance. The measles outbreak declared in week 40 of 2022 in all provinces in South Africa, except the Eastern Cape, still showed measles-positive cases during 2023–2024. The review of the measles outbreak surveillance data reporting and factors affecting public health response in Limpopo province indicated that hospitals had more measles cases notified on the Notifiable Medical Conditions Surveillance System (NMCSS) compared to blood samples sent to the laboratory for testing. PHCs reported fewer measles cases on the NMCSS than the cases that were consulted. Hospitals with Infection, Prevention and Control (IPC) and Expanded Programme for Immunisation (EPI) managers had better data compared to PHCs. The presence of a focal person in the facility substantially improved measles case reporting and case investigation form availability. Sequencing for polioviruses in Acute Flaccid Paralysis (AFP) cases and environmental surveillance from the South Africa region revealed vaccine-derived polioviruses.

After the measles outbreak in South Africa in 2022–2023, 5 467 South African febrile rash samples were tested under review, with 468 confirmed measles cases (8.56% positivity rate). The number of measles cases detected in 2023 decreased after the measles vaccine campaigns were rolled out in 2023, with a few sporadic measles cases and clusters currently seen. A total of 1 265 rubella cases were reported, constituting 23% of the samples tested at the NICD via febrile rash surveillance. The increase in rubella cases was reported in Western Cape province in the City of Cape Town in November 2023 and later spread to other districts in the province. Another increase in Rubella cases was reported in the Pixley Ka Seme district in the Northern Cape province. Other provinces reported a low number of rubella cases. South Africa has approved using measles-rubella-containing vaccines, which will be available at public healthcare facilities. Rubella infections were reported in children aged 1 to 9 years, with more than 800 children reported being infected.

## Division for Public Health, Surveillance and Response (DPHSR)

The DPHSR plays a pivotal role in surveillance and response activities related to infectious disease threats in South Africa. The DPHSR comprises the following units: the GERMS-SA surveillance programme (which is 21 years old this year), the Provincial Epidemiology Team (PET, consisting of eight epidemiologists based in the provinces), the NMC Surveillance Unit, and the Outbreak Response Unit (ORU), which hosts the Emergency Operations Centre (EOC). Together, these units, in conjunction with specialists from other NICD centres, contribute to national communicable disease surveillance, pandemic preparedness and response efforts through real-time alerts and notification of diseases of public health importance, as well as providing technical expertise to national, provincial, and district health departments. It also facilitates communication and data sharing between the national and provincial health departments and the NICD.

For the year under review, the DPHSR was integral to the continued national and provincial response to the ongoing cholera outbreak, providing epidemiological expertise and maintaining data platforms to monitor trends in cases, tests, hospitalisations, and deaths. Epidemiological support from the EOC, ORU, and PET led to well-coordinated and structured data flow, management, and analysis. DPHSR played a crucial role in managing outbreaks of other infectious diseases in response to other epidemics, including benzene/benzine toxicity, conjunctivitis, diphtheria, measles, cholera, and rabies cases. Event-based surveillance was expanded, and EOC staff conducted training on emergency management locally and in several other African countries.

The NMC surveillance system provides coordinated collection, collation, analysis, interpretation, and dissemination of public and private sector NMC data through a real-time surveillance system and includes information for targeted public health response, decision-making, and resource allocation. Through the NMC, timeous alerts are issued, and the public health response is initiated. The GERMS-SA collaborates with NICD centres to provide a national active surveillance programme for laboratory-confirmed bacterial and fungal infections, complemented by enhanced surveillance at sentinel hospital sites. The collaboration offers a robust platform for monitoring disease trends, which guides public health policy decisions.

## National Cancer Registry

The National Cancer Registry (NCR) is responsible for cancer surveillance, which is the systemic collection, storage, analysis, interpretation, and reporting of cancer cases. With the maturation of the Ekurhuleni Population-based Cancer Registry (EPBCR), South Africa now has a robust urban population-based cancer registry, which can be used to correct national pathology-based estimates. For the first time, cancer incidence statistics reported on the GLOBOCAN cancer statistics platform (https://gco.iarc.fr) no longer report data from neighbouring countries but actual South African data. GLOBOCAN 2022 reports data from the national pathology registry, which was scaled using the site and sex-specific percentages of microscopically verified cases obtained from the EPBCR (2018–2021) and applied to the 2022 population. This achievement is an important milestone in cancer surveillance in South Africa.

The NCR continued to provide technical support to the recently launched KwaZulu-Natal Population-Based Cancer Registry. As one of three International Agency for Research in Cancer – Global Initiative for Cancer Registry Development (IARC-GICR) Collaborating Centres (now called Centres of Expertise) for Sub-Saharan Africa, the NCR has been supporting cancer registries within the continent by providing training on record linkage for cervical cancer elimination and childhood cancer registration.

The National Childhood Cancer Registry published its third report on childhood cancer incidence (0-14 years old) for 2020. A total of 1 043 cancers were diagnosed in children aged 0-14 years old in South Africa in 2020. This number of cases equated to an overall age-standardised rate of 62.4 cases per million (95% CI: 51.0 - 76.0). We found the most common cancer diagnosed in children to be leukaemia, and the second most common cancer was lymphoma. Approximately 40% of the cases (n= 415) were diagnosed in children aged 0-4 years old.

## Sequencing Core Facility

The Sequencing Core Facility (SCF) was established to promote and expedite surveillance and research activities at the NICD to provide accurate, high-quality, and cost-effective next-generation sequencing (NGS) solutions. The SCF currently supports all centres at the NICD on NGS and bioinformatics needs and thus acts as an extension of every centre regarding NGS capacity. The SCF presently houses the following NGS instruments: two Hamilton NGS Star's robots (automated liquid handlers for NGS libraries), Illumina MiSeq, Illumina Nextseq 1000, three Illumina Nextseq 2000, and a PacBio sequel IIe. In addition to NGS, the SCF has a dedicated high-performance computing (HPC) cluster. Specifications of the HPC cluster include a head node, eight compute nodes (272 CPU cores), three TB RAM, intermediate storage (117 TB), and long-term storage (2.2 PB) for data analysis. Some key focus areas involve whole genome sequencing (WGS), custom amplicon sequencing, and metagenomics. Research and surveillance activities that depend primarily on the NGS include TB and HIV drug resistance surveillance, HIV antibody research, vaccine validation, molecular epidemiology, viral zoonosis studies, fungal pathogens, and outbreak response.

In 2023, the SCF sequenced 26 086 genomes, generating ca. 14 TB of data. The distribution of data among the NICD centres is as follows: 56.80% CRDM, of which 35.20% was SARS_COV2, 7.50% CHIVSTI (HIV drug resistance surveillance/research), 15.15% CTB (TB drug resistance surveillance), 10.14% CED (WGS of *Salmonella spp.*), 4.47% CVI (wastewater surveillance), 3.44% CEZPD (Malaria drug resistance and 16s rRNA metagenomic sequencing), and 2.5% CHARM (bacterial and fungal sequencing).

## Support Function

The collective transversal functions of Division Biosafety and Biosecurity (DBB), Communication, Information Technology, Field Epidemiology, and Occupational Health Services have continued to demonstrate exceptional professionalism and expertise in supporting the NICD mission. The team engages extensively with multiple global partners, from scoping strategies for strengthening public health institutes to advancing biosafety and biosecurity capability, effectively disseminating public health information, and leveraging technology for enhanced data management and analysis. The team continues to nurture the next generation of public health leaders at all levels of the health service, equipping them with the necessary skills and knowledge to address complex health challenges.

## Collaboration and Knowledge Sharing within Africa

The Regional Diagnostics Demonstration Centre, as the first Regional Centre of Excellence for Biosafety and Biosecurity for the Southern Africa Region, continues to be a benchmark, with its regional subject matter experts providing mentorship for the newly established centres of excellence for the Eastern Africa Region in Dar es Salaam, Tanzania, and more recently in Western Africa in Dakar, Senegal. Dr Lazarus Kuonza was appointed Chairman of the Board of Directors for *the African Field Epidemiology Network. He also serves on the advisory board of the Training Programmes in the* Epidemiology and Public Health Interventions Network.

As part of managing the NDoH's diagnostic and research permits, the DBB issued permits to transfer 41 182 samples between South Africa and 62 countries, 41 of which were to other African countries. The permit was used 767 times to import 26 014 samples, a twofold increase compared to the previous financial year. This increase bodes well for collaboration and knowledge sharing within the continent.

## 2.7.2. NATIONAL INSTITUTE FOR OCCUPATIONAL HEALTH

**Prof Spo Kgalamomo**
**Director: National Institute for Occupational Health**

### Introduction

I am pleased to present the NIOH review for the 2023–2024 financial year. Our report seeks to demonstrate how the Institute continues to be resilient and uphold its value and relevance in Sub-Saharan Africa during these uncertain times marked by resource constraints while meeting its obligations to the NHLS and the occupational health fraternity. All key performance indicators were met, except one, which was negatively affected by austerity measures.

The NIOH is the only WHO Collaborating Centre for Occupational Health in Sub-Saharan Africa and has maintained its status for the 17th consecutive year. Alongside two institutions of higher learning, the NIOH has also been declared a Centre of Excellence nationally for its contribution to new knowledge and information generation through research and capacity building. The NIOH's multi-disciplinary team provides specialised occupational health services, most of which are the only offerings in the public sector or the country. It is important to note that the NIOH remains the only entity in South Africa that has achieved and maintained four SANAS ISO accreditation standards**.**

The Institute continues to impact Occupational Health and Safety (OHS) practice (expert advice, policy development, legislative review, etc.) through participation in professional and technical committees across disciplines, nationally and internationally. This leads to rich collaboration with many stakeholders to advance occupational health surveillance and initiate innovative projects to promote occupational health and prevent occupational injuries and diseases. This report highlights achievements and elaborates on critical activities undertaken for the period under review.

### Highlights

Below are a few highlights focusing on activities covering specialised services, research, local and international partnerships, capacity building, surveillance, and support for the NHLS.

### Specialised Services

The specialised laboratories continue to strive for excellence in diagnostic services. The Pathology Department has made significant progress in opening its PCR laboratory to establish a centre of excellence in diagnostic cardiothoracic pathology. Unused equipment from other NHLS laboratories was acquired and serviced (as a cost-saving strategy), and preliminary validation and testing of molecular targets for lung cancer are underway.

A new initiative is PDL-1 testing for lung cancer, a service that currently exists only in the private sector. A pathologist in the department has been certified as a trainer after attending the internationally recognised Professional Expert Course on PDL-1 Testing (22C3) in Triple-Negative Breast Cancer Virtual Training. This service offering bridges the gap in the public sector.

The Occupational Hygiene Section addressed occupational health hazards as part of promoting the health and well-being of workers. Most exposure assessments were conducted at the NHLS Laboratories as part of the Department of

Employment and Labour's legal requirement for routine monitoring of hazardous chemical agents (HCA). The assessment reports recommended controls to guide the NHLS in reducing exposure to HCA as part of continuous occupational health and safety improvement. These assessments and those from other NIOH sections contributed to meeting the NHLS Annual Performance Plan target. The overall target was exceeded with a positive variance.

The Occupational Hygiene XRD Laboratory provided accredited analytical services directly supporting the Approved Inspection Authority's operational functions. The laboratory's excellent output and consistently receiving satisfactory ratings for all methods in international performance testing schemes enhanced the quality of its services.

The Quality Assurance Section conducts internal audits for all different standards (ISO 15189,17025,17020,9001) and assists the NHLS with pre-SANAS audits, including training NHLS QMS auditors and monitoring their competence. The Section also assisted with the KwaZulu-Natal public health laboratory maintenance of accreditation and extension of scope.

The Safety, Health and Environment (SHE) Department's mandate is to provide occupational health, safety, and environmental services to the NHLS. This is achieved by locating a team in six strategic areas nationwide. The coordination of services and communication between NHLS staff as our clients, and SHE staff utilises various engagement methods, including the online Occupational Health and Safety Information System (OHASIS). OHASIS is used to monitor and react to incidents and occupational diseases within the NHLS workplace. Outside of the NHLS, the system has been implemented at other organisations to generate revenue.

The Toxicology and Biochemistry Department boasts one of the country's few CytoViva Hyperspectral Imaging (HSI) systems. The CytoViva platform identifies particles based on their unique spectral properties without using dyes or labels. The Department offers the CytoViva HSI analysis system to occupational medical practitioners, occupational hygienists, pharmaceutical companies, and universities. It has extended its services to include the United Nations Globally Harmonized System (GHS) of Classification and Labelling of Chemicals (CLC). In line with the newly revised Regulations for Hazardous Chemicals that require GHS compliance, the department has started providing awareness sessions within the NHLS and will be rolling out the service externally.

The Occupational Medicine Specialist referral clinic assessed patients from different industries, 63% of whom were from the non-mining sector, while 37% were from the mining sector, the bulk of whom suffer from respiratory problems. For musculoskeletal conditions, a collaborative effort was undertaken between the Specialist Referral Clinic and the Ergonomics Unit, focusing on workers suspected of work-related upper limb disorders (WRULDs).

The Ergonomics Unit conducted several comprehensive ergonomic assessments in various workplaces, identifying ergonomic hazards and affected persons while highlighting the analysis and evaluation of risks associated with these factors. A quarter (25%) of the assessments were conducted for internal stakeholders within the NHLS, while the majority (75%) were for external stakeholders. Common issues noted from these assessments include factors relating to organisational, cognitive, and physical ergonomic perspectives. A recommended approach to addressing these factors is an all-encompassing intervention, recognising and integrating ergonomic principles in all occupational health and safety strategic planning, work system design, and continuous reviews.

The Immunology and Microbiology Section's Waterborne Pathogens Unit tested 590 water samples, including potable (tap, borehole, spring, and bottled) and non-potable (raw wastewater, treated wastewater, greywater, harvested rainwater, stormwater, and river) in several workplaces, including municipalities and healthcare facilities. The aim is to determine if the water quality is suitable for its purpose, monitor water treatment effectiveness, prevent waterborne infections in workers and the general public, and develop mitigation strategies.

## Research

New knowledge generation is a mandate of the Institute, and the focus for the year under review included contributing to the Department of Employment and Labour's strategy to eliminate silicosis in the non-mining sector by 2030. Several sections within the NIOH collaborated to evaluate silica exposure levels, assess workers for silicosis, and develop training material for employees, employers, and occupational health practitioners to prevent and control silica exposure. This project involved external collaborators (CSIR, WHC, and Wits) and was completed in February 2024.

Ongoing research is investigating the impact of load shedding on indoor air quality, fungal contamination in Forensic Pathology Services, and health risks associated with wastewater treatment plants. In addition, some applicable research aims to provide solutions in different workplaces.

The NIOH three-year intervention study has been concluded to assess occupational exposures, oxidative stress, and the impact on health among petrol attendants in Johannesburg, South Africa.

The well-functioning Research Committee's efforts in supporting emerging researchers and strengthening the research process have borne fruit, with 30 publications produced for the period under review. Of these, 28 were peer-reviewed journal articles and two book chapters. A unique research thrust is to build capacity for evaluating wellness and disease using SANS standards to improve the quality of services.

## Local and International Partnerships

The Institute maintained strategic partnerships by participating in technical committees and fora that influenced policy and legislative reforms at national and international levels. NIOH staff participated in various influential technical committees, such as the National Economic Development and Labour Council (NEDLAC), the Regional Biosafety and Biosecurity Technical Working Group (Southern Africa), the South African Society of Occupational Medicine (SASOM), the South African Society of Occupational Health Nursing Practitioners (SASOHN), and the Southern African Institute for Occupational Hygiene (SAIOH), among others.

The NIOH is the secretariat for the National Department of Health-led Steering Committee for health workers' occupational health, which aims to provide policy, health services, and programmes, including surveillance and funding for health workers' occupational health and safety. In collaboration with the Department of Employment and Labour (DEL), the NIOH has been appointed the secretariat and partner in a newly developed agricultural sector occupational health and safety committee, which aims to promote occupational health and safety in the farming sector.

The NIOH hosted an internationally renowned professor in histopathology from the University of Pennsylvania, accompanied by pathology registrars from the USA and Botswana. This visit allowed the department to showcase its unique histopathology laboratory and forge new partnerships.

To create awareness about the cardiorespiratory organ examination process for miners and ex-miners for possible occupational lung disease (in adherence to the Occupational Diseases in Mines and Works Act), the Pathology Department carries out outreach activities. During the review period, the outreach team visited companies during their health and wellness days and supported the Mine Health and Safety Council's 6th Occupational Health Dialogue. These visits have created many more networking opportunities, and the NIOH has subsequently been invited to attend future stakeholder events.

The NIOH has been re-designated the WHO Collaborating Centre for Occupational Health. The primary objective of the Global Network of WHO Collaborating Centers is to facilitate collaboration and networking among participating institutions and international partners to make a significant contribution towards the overarching goal of the WHO.

## Capacity Building

As part of capacity building, the NIOH, in partnership with NEDLAC and supported by the Compensation Fund, continued the NEDLAC/NIOH COVID-19 legacy programme project, launched in the third quarter of 2022, to produce COVID-19-related occupational health and safety information material that workplaces can use to educate and inform all organisational levels. These products were developed with concise messaging emphasising practical applications and were distributed using easily accessible formats such as webinars, infographics, and short videos. The Training Unit facilitated the delivery of eight occupational health and safety webinars, eight fact sheets and infographics, and six short videos for the year under review. This programme has added significant value to ensuring that workplaces are fully equipped with the knowledge to provide healthy and safer workplaces. All NIOH sections contributed to the programme in various ways, including partaking in webinars, providing content for infographics, and creating video content.

The NIOH further provided various capacity-building activities and training, including workshops targeting different workplace populations, namely domestic workers, academic staff, medical inspectors, occupational medical practitioners, and health and safety committees. In addition, NIOH staff actively engaged in teaching and training initiatives through participation in formal academic programmes offered by institutions of higher learning in the form of lectures, coordination, and moderating/examining in the undergraduate and postgraduate programmes in occupational health. The NIOH also trains street reclaimers on the health and safety aspects of their jobs. The training increases awareness of hazards in their work environments and how to protect themselves from these hazards. This is important for the growing informal industry in the county.

Furthermore, several NIOH staff members supervise undergraduate and post-graduate programmes at various academic institutions in South Africa, such as the Diploma in Occupational Health at the University of Pretoria and the University of Witwatersrand, the Field Epidemiology programme, and the Master's in Public Health at the University of Johannesburg. Staff also supervise MSc, MPH, and PhD students, are examiners for dissertations from multiple South African institutions, and associate editors and reviewers for national and international journals.

The NIOH maintained its registration as a training provider for the internationally recognised Occupational Hygiene Training Association (OHTA) training modules and delivered the OHTA 201 module in a hybrid format, completed by all candidates. These courses promoted collaboration within the NIOH.

## Surveillance

Surveillance activities have increased over this reporting period. We have exceeded our APP target of four surveillance reports by one, and we continue to put more effort into adding more surveillance platforms using data from external sources like Statistics South Africa. The Pathaut database, which has been maintained since 1975, continues to be a source of rich data for surveillance and research, addressing occupational health questions within the mining industry.

## Support for the NHLS

Besides the services offered by the SHE department that cover all staff members, the NIOH continues to assist the NHLS with pre-SANAS audits, trains NHLS QMS auditors, guides the Forensic Laboratories on occupational health audits, and assists in the closure of non-conformances, and develops short courses in epidemiology and biostatistics for NHLS staff.

The NIOH also fills in the gap by providing general surgical pathology within the NHLS, particularly to the Limpopo province, while supporting Limpopo in building further capacity. This has resulted in improved pathology services for the province.

Every organisation is legally obligated to conduct occupational hygiene assessments every two years to comply with the Department of Employment and Labour legislation. The Occupational Hygiene Section maintained its registration with the Department of Employment and Labour as an Approved Inspection Authority (AIA). It continued to provide the AIA functions, including an accredited scope under ISO/IEC 17020 in its capacity as a Type C Inspection Body, allowing it to provide impartial service to its parent institution and external clients.

The collection and storage of biological specimens for different objectives, including research, has become more regularised in response to national demand. The Biobank can store 4 million samples. It currently stores 1,6 million samples from the NHLS and other organisations for a fee, bolstering the Institute's revenue while offering quality services.

## Appreciation

I want to extend my heartfelt gratitude to the NHLS and NIOH management teams for their outstanding strategic guidance, enabling NIOH to achieve remarkable feats despite resource constraints. The dedication of NIOH staff towards excellence in their roles is truly commendable, and I sincerely appreciate their relentless efforts in fostering healthy, safe, and sustainable workplaces. Additionally, I am immensely grateful to our partners, funders, collaborators, and stakeholders whose invaluable contributions have significantly contributed to the success of NIOH.

## 2.7.3. FORENSIC CHEMISTRY LABORATORIES

**Dr Clothilde Oliphant**
**Chief Operating Officer: Strategic Initiatives**

### Introduction

The Forensic Chemistry Laboratories (FCLs) was first integrated into the National Health Laboratory Service (NHLS) on 1 April 2022, marking a significant milestone as proclaimed by the president of South Africa in accordance with Section 29 of the NHLS Act No. 37 of 2000. There are four FCLs in South Africa, located in Cape Town, Durban, Pretoria, and Johannesburg. These four laboratories serve the total population of South Africa, and clients include the South African Police Service, Forensic Pathology Services, the mortuaries of the Department of Health in the provinces, the National Prosecuting Authority, and local authorities (municipalities).

The core business of the FCLs includes the testing of antemortem and post-mortem blood samples for alcohol content, not limited to drunken driving cases; the testing of biological tissues and fluids for the presence of poisons and/or drugs in instances of unnatural deaths (toxicology analysis); and the analysis of foodstuffs and cosmetics in terms of the Foodstuffs, Cosmetics, and Disinfectants Act, No. 54 of 1972.

The initial focus during its first year of full integration was on the establishment of robust management structures and systems to ensure effective and efficient service delivery. The NHLS conducted baseline quality audits and identified areas requiring strategic intervention to support the core functions of the FCLs. A new management structure was established, all vacant positions within laboratories were filled, and overtime working hours were introduced.

For the period under review, the strategic focus shifted more towards the achievement of improved performance and quality service delivery outputs in the FCLs, in line with the NHLS strategic goals. The goals to achieve improved turnaround times and eliminate the historical backlogs require an expansion in the FCLs service offering as well as the specimen processing capacity of the laboratories while maintaining effective and efficient management practices. Corrective measures were initiated during the period under review, and while some initial successes were achieved, the implementation will continue in the medium term.

### Service delivery

#### Blood Alcohol Tests

Improvements in turnaround times were achieved in the analysis of blood alcohol samples, although all targets were not met during the period under review. Backlogs in blood alcohol tests were recorded at the start of the review period at the Pretoria and Johannesburg laboratories. The backlog at the Pretoria FCL was successfully cleared during the reporting period, and the backlog at the Johannesburg FCL was significantly reduced, with the expectation that it will be eliminated

during the next reporting cycle. The improvements in turnaround times were achieved through the expansion of services at the Pretoria FCL, the utilisation of overtime shifts, and the procurement of additional analytic instruments.

An additional laboratory was acquired to support service delivery at the Pretoria FCL, which could accommodate additional instruments for the blood alcohol section. In collaboration with the South African Police Services, referral pathways for blood alcohol samples were redirected towards the more capacitated Pretoria FCL. This would also support the Johannesburg FCL in addressing its remaining backlog of blood alcohol samples.

### Toxicology Tests

Toxicology backlogs were recorded at the three laboratories that offer the service, namely the Cape Town, Johannesburg, and Pretoria FCLs. These backlogs have increased, but strategies have commenced to expand service delivery and improve the turnaround times for the processing of toxicology samples.

The additional laboratory space at the Pretoria FCL will also accommodate a new toxicology laboratory that was initiated during the period under review. Ten additional analyst posts were created and were in the process of being filled at the time of reporting, and additional toxicology instruments were being procured. Renovations have commenced at the existing Pretoria laboratory to address infrastructural challenges and improve working conditions in the laboratory.

Processes have also commenced to acquire a new building for the Durban FCL. The larger facility is planned to accommodate a newly established toxicology laboratory, which will ensure that toxicology services will be offered at all four FCLs. This will reduce the service demands on the Cape Town and Pretoria FCLs, which currently deliver toxicology services to the areas served by the Durban FCL.

Continuous engagements with the national Forensic Pathology Services aim to develop strategies to manage and reduce the toxicology backlog. Investigations are underway to address ageing samples and samples lacking adequate identifying labels.

### Testing of Foodstuffs and Cosmetics

The analysis of foodstuffs is performed at the Cape Town and Pretoria FCLs, and these two laboratories cover all the requests for compliance testing of food and cosmetic samples from across the nine provinces. Since the integration of the FCLs with the NHLS, no backlogs have been reported concerning the analysis of food samples. New analytic instruments are being procured to replace non-functional items and modernise instrumentation as required.

### Improving Reporting Results to Stakeholders

Engagements with the South African Police Service (SAPS) will continue to enhance reporting efficiencies through a proposed secured digital interface between SAPS and NHLS/FCLs reporting systems.

# 2.8. SUPPORT SERVICES PERFORMANCES

## 2.8.1. INFORMATION AND COMMUNICATION TECHNOLOGY

**Sibongiseni Hlongwane**

**Executive Manager: Information and Communication Technology**

### Introduction

This report details the Information Communication Technology (ICT) activities for the financial year 2023–2024. Each unit within the ICT department has various initiatives in progress to improve the end-user experience and respond to business strategic objectives.

### Business Operations Digitisation

In ensuring that the NHLS continues its journey to transform into a digital healthcare business, several projects were started in the 2023–2024 financial year. Some were completed, while others are still in progress. Among the completed projects is the project to roll out the Enterprise Content Management (ECM) scanners in 279 NHLS laboratories to ensure that the laboratories continue to benefit from the effective retrieval of lab request forms. This project will also bring about an increase in the number of scanning labs to 216, which will bring the number of scanned forms to two million.

Among the projects that are still in progress is the rollout of multifunction printers across the NHLS business. The NHLS has realised that printing services play an integral role in its business, with every patient result requiring printing and day-to-day operation in other parts of the NHLS business. This project is aimed at being completed in the third quarter of the 2024–2025 financial year.

### Application Support and System Development

The configuration of TrakCare LAB system for the FCLs is complete, and full user acceptance testing and simulations are scheduled once the necessary infrastructure is finalised. The FCL Laboratories will be the first to use the upgraded data platform, IRIS for Health, that the TrakCare LAB system runs on.

The order entry system development has been completed, with the eGK module in final testing. This will allow for eGK rules to be used at the health facility, reducing unnecessary specimen collection and allowing the facility to make more informed decisions while the patient is still present.

The collections module of the NHLS Order Entry System is being used in the Western Cape with the Netcare interface at the Groote Schuur Private Hospital. The NHLS phlebotomists are prompted by the NHLS Order Entry System when a Netcare order is received to collect the appropriate specimens. Orders can be booked for future dates.

A mobile version of the Web Results viewer has been developed for Apple and Android mobile devices. The application contains all the functionality of the web-based results viewer in a format specifically designed for mobile devices. The first phase focuses on clinicians. Future phases include modules for patients to review their results and integration with the NHLS Order Entry module.

TB tests have been added to the patient communication system, providing TB results and guidance as defined by the TB Expert Committee.

Operational support was provided to several national projects, like the BD Max analyser rollout and the Point of Care project.

In preparation for hosting the Pathology Research and Development Congress (PathReD), an event management portal was developed to handle PathReD applications. It was also used for end-to-end event planning for the organisers and delegates.

The following business processes were automated:

- HR PEIGA approval process automation;
- HR grievances submission automation;
- Regional orders motivation approvals;
- Digital signatures;
- Laboratory downtime tracking;
- CDW data request automation; and
- Communication request submission.

Records management is the practice of managing and administering digital or paper records, regardless of format. It is aimed at promoting sound record management within the NHLS in accordance with Section 195 of the Constitution and the National Archives and Records Service of South Africa Act (Act No. 43 of 1996, as amended). The NHLS established a Records Management Committee for steering and promoting the adoption of the records management programme within the organisation.

System availability for TrakCare Laboratory, Enterprise Resource Planning (ERP), and ECM has been impacted by the frequent power issues and other environmental failures in the Sandringham data centre.

Hardware limitations, with equipment that is a decade old, have posed constraints on project initiation due to space shortages.

Despite these challenges, the teams have maintained an exceptional Service Level Agreement (SLA) average of 98% for all system queries, thus delivering efficient operational support to the stakeholders.

## Infrastructure and Operations Initiatives

The NHLS is continuing to migrate its laboratories and offices in phases from the current MPLS network to the South African Research Network (SANREN). To date, the following NHLS sites have been migrated to the SANREN: Greenpoint, Sandringham, Red Cross, Groote Schuur, Tygerberg, Charlotte Maxeke, Pelonomi Regional Hospital, Bloemfontein National Hospital, Polokwane, Universitas, and Braamfontein.

The FCLs Laboratory Information Management System has successfully migrated to the NHLS infrastructure. The four FCL laboratories have also been migrated to the NHLS network infrastructure.

## IT Governance and Reporting

The ICT department was successful in obtaining ISO 9001 certification on 23 January 2024, following an audit conducted from 30 November 2023 to 1 December 2023. The first phase of the audit was successfully completed on 24 August 2023, with the department progressing to phase 2 of the audit on 30 November to 1 December 2023.

The ICT change management process has improved with the change management policy having been updated, leading to an improvement in the way we manage changes in the ICT environment and fewer downtimes.

Most ICT policies have been reviewed and updated, with a few needing to be upgraded to meet the ever-changing technology environment. The ICT department is in the process of reviewing its current strategy and frameworks so that they are aligned and in support of the current NHLS strategy.

The ICT Department is seeking to improve the ICT security posture of the organisation by acquiring a service provider to assist in monitoring and safeguarding ICT assets by the end of this financial year. We are also in the process of filling the position of information security specialist to oversee the management of the service provider and manage the review and update of the information security policies and frameworks.

## 2.8.2. COMMUNICATION, MARKETING AND PUBLIC RELATIONS

**Mzimasi Gcukumana**

**Senior Manager: Communication, Marketing and Public Relations**

### Introduction

The NHLS is an essential component of the South African public healthcare system, providing laboratory and public health services. The NHLS Communication Department plays a vital role in increasing the organisation's exposure and impact during significant events. During the financial year 2023–2024, the Communication Department assisted the NHLS in attending several high-profile events, including the PathRed Congress, the African Society for Laboratory Medicine meeting, and World Tuberculosis Day. Each event provided a unique opportunity to highlight NHLS' accomplishments and engage with key stakeholders.

### PathRed Congress: 31 August – 3 September 2023

The PathRed Congress, held at the Radisson Hotel and Convention Centre, O.R. Tambo, brought together experts and stakeholders in the field of pathology and laboratory medicine. The Communication Department ensured the organisation's presence was both prominent and impactful.

**Key actions by the Communication Department:**

- **Exhibition:** The department coordinated the setup of an informative and engaging exhibition stand, showcasing NHLS' latest research and technological advancements. This included arranging informative materials and interactive displays to attract and educate attendees.

### African Society for Laboratory Medicine: 12-15 December 2023

The ASLM conference in Cape Town was another significant event where the NHLS' presence was vital. This conference focused on advancing laboratory services and diagnostics across the continent.

**Key Actions by the Communication Department:**

- **Strategic Messaging:** The department crafted strategic messages that highlighted NHLS' role in strengthening laboratory services in Africa. These messages were disseminated through various channels, including press releases, and conference materials.
- **Event Coordination:** They coordinated NHLS' participation in various panels and discussions, ensuring that the organisation's voice and expertise were well represented.
- **Exhibition Management:** Similar to the PathRed Congress, the Communication Department managed an exhibition booth that showcased NHLS' achievements and contributions to public health and laboratory science.

### World TB Day: 24 March 2024

World TB Day, held at George Thabe Stadium in Everton, Sedibeng District, Gauteng Province, provided a platform to raise awareness about TB, a major public health concern in South Africa.

# 2.9. SUBSIDIARY PERFORMANCE

## 2.9.1. SOUTH AFRICAN VACCINE PRODUCERS

**Dr Clothilde Oliphant**
**Chief Operating Officer: Strategic Initiatives**

### Introduction

The South African Vaccine Producers (Pty) Ltd. (SAVP) is a wholly-owned subsidiary of the NHLS and the only South African manufacturer of antivenom for the treatment of snake, scorpion, and spider envenomation. SAVP has been developing antivenoms since 1928 and is licensed with the SAHPRA as a pharmaceutical manufacturer and distributor of antivenoms.

In prior years, the SAVP faced challenges that impacted its capacity to deliver on the planned production outputs of its antivenoms. These included challenges with interruptions related to electricity power outages as well as challenges with its water supply system. In addition, erratic power supplies had a negative effect on the ageing SAVP infrastructure and equipment, leading to equipment breakdowns. These factors had an adverse effect on antivenom production capability, leading to delays in sales and shortages in the supply of antivenom to the market.

The period under review represented a turnaround in the subsidiary's capacity to meet the demand for antivenom. The sale of antivenom achieved a 94% increase when compared to the previous financial year, and improvements were achieved in the turnaround time for orders received. Antivenom was distributed to private and public healthcare facilities, veterinary care institutes, wholesalers, and international customers. While optimal levels of supply have not yet been achieved, the NHLS continues to focus on addressing infrastructural challenges and strengthening quality management systems in the SAVP.

The NHLS leveraged previous investments to ensure an uninterruptible power supply and acquired a secured backup power supply for equipment items that are critical to the production process, such as HVAC systems. Renovations and upgrades to the production unit commenced towards the end of the period under review. These are aimed at ensuring compliance with Good Manufacturing Practice legislation and introducing modernised technology for more efficient production processes.

Additional strategies to improve antivenom production capability include planned increases in the number of biological assets (horses) in the unit and the introduction of modernised equipment items in other production areas, such as the stables.

The NHLS remains committed to enhancing antivenom production capacity in the SAVP to ensure an adequate supply of this life-saving medication.

# PART C

## GOVERNANCE

# 3. PART C: GOVERNANCE

**Ms Violet Gabashane**

***Acting Company Secretary**

## 3.1. REPORT OF THE ACCOUNTING AUTHORITY

The Accounting Authority submits its report for the financial year ended 31 March 2024.

## 3.2. STATEMENT OF COMMITMENT

The Accounting Authority is committed to business integrity, transparency, and professionalism in all its activities. As part of this commitment, the Accounting Authority supports the highest standards of corporate governance and the ongoing development of best practices.

## 3.3. THE MANDATE OF THE BOARD

The mandate of the NHLS Board is set out in the NHLS Act and has been encapsulated in the NHLS Board Charter. The mandate of the Board, as set out in the Board Charter, is aligned with the requirements stipulated by the Protocol on Governance in Public Entities.

### INDEPENDENCE OF THE BOARD

Board members are appointed by the Minister of Health. The Board considers submissions and recommendations made by management and makes independent decisions based on their fiduciary responsibilities and the strategic direction of the service.

The various Board committees meet independently and then report back to the Board. Each committee has a formal charter that clearly defines its roles and responsibilities.

The Audit and Risk Committee regularly meets individually with the external and internal auditors. Furthermore, the Board, its committees, and individual Board members may engage independent counsel and advisors upon request and at the discretion of the Board.

**Commenced 1 November 2023 – 31 December 2024*

## BOARD COMPOSITION

The Accounting Authority is a Unitary Board comprising a majority of non-executive members. The members of the Board are appointed by the Minister in accordance with Section 7 of the NHLS Act.

In terms of NHLS Act No. 37 of 2000, the Board should comprise twenty-two (22) members, including the Chief Executive Officer, Chairperson, and Vice Chairperson of the Board. The Minister of Health has appointed a chairperson and a vice chairperson in terms of Section 9 of the NHLS Act.

The members of the entity during the year and to the date of this report are as follows:

## BOARD COMPOSITION

| # | Name | Constituency | Date of appointment | Term ends | Chairpersonship/ Position in the NHLS |
|---|---|---|---|---|---|
| 1 | Prof Eric Buch (Chairperson) | Minister of Health | 1 January 2017<br>Re-appointed 1 May 2021 | 1 May 2024 | Board and GSEC |
| 2 | Prof Jeffery Mphahlele | Minister of Health | 8 May 2020<br>Re-appointed 7 May 2023 | 7 May 2026 | RIC |
| 3 | Dr Mahlane Phalane | Mpumalanga Province | 1 November 2021 | 18 October 2024 | |
| 4 | Dr Kamy Chetty | Former Chief Executive Officer | 4 October 2017 | 31 March 2024 | EXCO/OPCO |
| 5 | Mr Jonathan Mallett | Northern Cape Province | 18 January 2020<br>Re-appointed 17 February 2023 | 17 February 2026 | RHRC |
| 6 | Ms Nicolene Van der Westhuizen | Western Cape Province | 1 May 2018<br>Re-appointed 19 October 2021 | 18 October 2024 | |
| 7 | Prof Thanyani Mariba | Limpopo Province | 18 January 2020<br>Re-appointed 17 February 2023 | 17 February 2026 | NAPC |
| 8 | Dr Siseko Martin | Eastern Cape Province | 8 May 2020<br>Re-appointed 7 May 2023 | 7 May 2026 | |
| 9 | Dr Naledzani Ramalivhana | Public Nominee: Health Research/ Epidemiology | 8 May 2020<br>Re-appointed 7 May 2023 | 7 May 2026 | |
| 10 | Mr Michael Sachs | Public Nominee: Economics, Financial Matters/ Accounting | 8 May 2020<br>Re-appointed 7 May 2023 | 7 May 2026 | FINCOM |

| # | Name | Constituency | Date of appointment | Term ends | Chairpersonship/ Position in the NHLS |
|---|---|---|---|---|---|
| 11 | Prof Mpho Kgomo | Council on Higher Education (CHE) | 8 May 2020<br>Re-appointed 7 May 2023 | 7 May 2026 | |
| 12 | Mr Koena Nkoko | SALGA | 8 May 2020<br>Re-appointed 7 May 2023 | 7 May 2026 | ARC |
| 13 | Dr Lesley Bamford | National Department of Health | 8 May 2020<br>Re-appointed 7 May 2023 | 7 May 2026 | |
| 14 | Mr Nick Buick | Minister of Health | 19 October 2021<br>Re-appointed 18 October 2024 | 18 October 2027 | |
| 15 | Mrs Penelope Msimango | KwaZulu-Natal Province | 01 November 2021<br>Re-appointed 31 October 2024 | 31 October 2027 | |
| 16 | Prof Tivani Mashamba-Thompson | Council on Higher Education | 19 November 2021<br>Re-appointed 18 October 2024 | 18 October 2027 | |
| 17 | Ms Nyameka Macanda | Organised Labour | 17 August 2022 | 17 August 2025 | |

**Board Member Qualifications and External Directorships**

The NHLS Board members have the relevant skills, knowledge and experience to bring judgment to bear on the business of the NHLS. In situations where Board members may lack experience, detailed induction and formal mentoring and support Programmes are implemented.

The chairperson, together with the Board, has carefully considered outside chairpersonships that members hold. The relative size and complexity of the companies in question have been considered. The Board members are satisfied that they have the ability and capacity to discharge their duties.

The qualifications and external directorships of NHLS Board members are disclosed in the table below:

| Names | Qualifications and External Directorships |
|---|---|
| **Prof Eric Buch** | **Qualification**<br>MBBCh, MSc (Med), FFCH (cm) SA, DTM&H, Diploma in Occupational Health<br>**Directorship**<br>None |
| **Prof Jeffrey Mphahlele** | **Qualification**<br>B.Sc., B.Sc. Med Hons, MSc, PhD<br>**Directorship**<br>CEPI, EDCTP, GloPID-R, SAHPRA and Poliomyelitis Research Foundation NPC |

| Names | Qualifications and External Directorships |
|---|---|
| **Dr Kamy Chetty** | **Qualification**<br>MBChB, MSc URP, FFCH, B.Sc. Epidemiology (Hons) Diploma Occupational Health<br>**Directorship**<br>None |
| **Prof Thanyani Mariba** | **Qualification**<br>MBChB, Fellowship of the College of Physicians of South Africa: FCP(SA), Fellowship of the Royal College of Physicians of London (FRCP London)<br>**Directorship**<br>None |
| **Mr Koena Nkoko** | **Qualification**<br>Dip Comp Nursing, Adv Dip Management, PGDip health management, B. Tech OHN and Nursing Management, Master of Public Health (MPH), MBA<br>**Directorship**<br>None |
| **Mr Michael Sachs** | **Qualification**<br>'O' Levels (GCEE), 'A 'Levels (GCEE), MSc (Economics) Master of Public Administration (International Development)<br>**Directorship**<br>NED-PILO (Registered non-profit company) |
| **Prof Mpho Klass Kgomo** | **Qualification**<br>MBChB, FCP(SA), Gastroenterology, PhD<br>**Directorship**<br>Styleprop (Pty) Ltd, Kgomo Family Trust, Holografix, Kgomo Inc, Head Clinical Unit – UP, Head of the SAGES HoD Academic Head |
| **Dr Siseko Martin** | **Qualification**<br>B.Sc., B.Sc. Hons, MBChB, Dip (DTM&H), FCPath, MMED<br>**Directorship**<br>Dietrich Voigt Mia, Dr WJH Vermark Inc |
| **Mrs Nicolene van Westhuizen** | **Qualification**<br>NDip Clinical Path<br>**Directorship**<br>None |
| **Mrs Penelope Msimango** | **Qualification**<br>Dip. General Nursing, Dip. Midwifery, BA Cur (Nursing education and Com Health), Adv Dip (Midwifery and NEONATAL Nursing Sc), Adv Dip (Health Management), Master of Public Health (in progress)<br>**Directorship**<br>None |
| **Dr Lesley Bamford** | **Qualification**<br>MBChB, B.Soc.Sci., FCP, PhD<br>**Directorship**<br>None |

| Names | Qualifications and External Directorships |
|---|---|
| **Mr Nick Buick** | **Qualification**<br>B.Com., Cert Theory of Accounting, CA(SA)<br>**Directorship**<br>None |
| **Dr Naledzani Ramalivhana** | **Qualification**<br>Dip Personnel & Training Management, Adv Dip Occupational Health and Safety, NdIP Biomedical Technology, B.Sc. Hons, MPH, MSc, PhD<br>**Directorship**<br>Afroherbal Science Laboratories |
| **Mr Jonathan Mallett** | **Qualification**<br>Nat Cert Medical Lab, Nat Dip Medical Lab, B.Tech, Adv Health Management Cert, BA<br>**Directorship**<br>None |
| **Prof Tivani Phosa Mashamba-Thompson** | **Qualification**<br>Foundation Degree, Hons (Applied Biomed Sc.) Post Grad (BioMed Sc.) Masters (Pharmaceutical Sc) PhD (Public Health), Grad Cert (Clinical Research)<br>**Directorship**<br>None |
| **Dr Mahlane Phalane** | **Qualification**<br>MBBCh, Cert (Clinical Management), Cert (HIV Management) Dispensing Course, MBA, MSc Sport Med, ABIME cert medical examiner, ADV Trauma Life Support, Basic Life Support, Basic Surgical skills<br>**Directorship**<br>Mappleman (Gen Del), Amdiler (Gen Del), Hlwape (GEN Del0 50% partnership, Tladi Family Trust, Mpumalanga DoH full time employee |
| **Ms Nyameka Macanda** | **Qualification**<br>Higher Cert Economic Development, Dip Internal Auditing, Cert Intro to Computer and Advanced Computer skills, Cert – Intro to Labour Law.<br>**Directorship**<br>FASSET, NIH, COSATU-Job Creation Trust |

## COMMITTEES OF THE BOARD

The Board, as the Accounting Authority, takes full ownership of the overall decision-making across the entity to ensure it retains proper direction and control of the NHLS.

The Board has delegated certain powers to the CEO and management but has reserved certain powers exclusively for the Board and these are set out in the Board Charter.

The Board has also appointed several committees to help it meet these responsibilities. Delegating various functions and authorities to committees and management, however, does not absolve the Board and its directors of their duties and responsibilities.

The Board has delegated certain functions without abdicating its responsibilities to the following committees:

- Audit and Risk Committee;
- Remuneration and Human Resources Committee;
- Governance, Social and Ethics Committee (ad hoc Committee);
- Finance Committee;
- National Academic and Pathology Committee;
- Research and Innovation Committee; and
- Executive Committee.

The various committees of the Board each have formal terms of reference embodied in a charter, which further defines the mandates, roles, and responsibilities of each Committee. The charters are reviewed and updated as and when required.

The NHLS Board is governed by the NHLS Act 2000 (Act No. 37 of 2000) and the NHLS Rules made in terms of the Act (*supra)*. The Board complies with the PFMA and King IV principles of good governance.

Minutes of meetings were made and entered in the minute book as a true and accurate representation of what transpired at the meetings.

The majority of the members of the Board attended the meetings for the year. Board resolutions were captured in the board resolution file.

## BOARD MEETING ATTENDANCE

The Board meets on pre-arranged dates at least once a quarter and other times as deemed necessary. The Board holds annual workshops to review the strategy and conduct an annual risk assessment. During the past 12 months, the Board has convened 17 times (including special meetings). The NHLS Board is required to hold at least four meetings per year. Only members of the Board voted at its meetings, and all its decisions were arrived at by consensus. In each of those meetings, the quorum of the meeting was met. In each meeting, members were allowed to declare any personal conflict of interest to be recused from the deliberation of the matter in which a member was involved. The table below and the accompanying legend illustrate the meeting attendance of Board members for the financial year:

## BOARD MEETINGS

Attendance at the Board Meetings for the year 1 April 2023 to 31 March 2024.

During the period under review, the Board met 14 times

| Name | 25/05/2023 | 26/05/2023 | 19/06/2023 | 14/07/2023 | 26/07/2023 | 27/07/2023 | 08/08/2023 | 18/10/2023 | 22/11/2023 | 23/11/2023 | 18/01/2024 | 19/01/2024 | 29/02/2024 | 01/03/2024 | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Prof Eric Buch (Chairperson) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 14 |
| Prof Jeffrey Mphahlele (Vice Chair) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | ✓ | 13 |
| Prof Mpho Kgomo (Member) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 14 |
| Prof Thanyani Mariba (Member) | ✓ | ✓ | ✓ | A | ✓ | ✓ | A | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | 11 |
| Prof Tivani Mashamba-Thompson (Member) | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 13 |
| Dr Naledzani Ramalivhana (Member) | ✓ | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | A | ✓ | 11 |
| Dr Siseko Martin (Member) | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | A | ✓ | ✓ | 11 |
| Dr Lesley Bamford (Member) | ✓ | ✓ | ✓ | ✓ | A | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 12 |
| Dr Mahlane Phalane (Member) | A | A | ✓ | ✓ | ✓ | A | A | ✓ | A | A | ✓ | ✓ | ✓ | ✓ | 8 |
| Mr Nick Buick (Member) | ✓ | ✓ | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 13 |
| Mr Koena Nkoko (Member) | A | A | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | ✓ | A | A | 8 |
| Mr Jonathan Mallet (Member) | ✓ | ✓ | ✓ | ✓ | ✓ | A | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | ✓ | 13 |
| Mr Michael Sachs (Member) | ✓ | ✓ | ✓ | ✓ | A | A | A | ✓ | ✓ | A | ✓ | ✓ | ✓ | A | 9 |
| Mrs Nicolene Van der Westhuizen (Member) | ✓ | ✓ | A | ✓ | ✓ | ✓ | A | ✓ | A | A | ✓ | ✓ | ✓ | ✓ | 10 |
| Mrs Penelope Msimango (Member) | ✓ | A | A | A | A | A | A | ✓ | A | A | ✓ | ✓ | ✓ | ✓ | 6 |
| Ms Nyameka Macanda (Member) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | A | ✓ | ✓ | ✓ | ✓ | 12 |
| Dr Kamy Chetty (CEO) | ✓ | ✓ | ✓ | R | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 13 |
| Total number of meetings | 14 | | | | | | | | | | | | | | |

*Legend: -*

*n/m = Not a member*

*✓ = Present*

*A = Apology*

*R = Recused*

# 3.4. ORGANISATIONAL GROUP PROFILE

## BUSINESS AND OPERATIONS

The NHLS is a national public entity established in terms of the National Health Laboratory Service Act No.37 of 2000 to provide quality, affordable, and sustainable health laboratory and related public health services.

The NHLS is the main provider of clinical support services to the national, provincial, and local departments of health through its country-wide network of quality-assured diagnostic laboratories. The NHLS also provides surveillance support for communicable diseases, occupational health, and cancer, and thus endeavours to align its strategy with both the DoH priorities and the National and Regional Burden of Disease (SANBD).

The NHLS is managed according to the provisions of the National Health Laboratory Services Act No. 37 of 2000, as well as the NHLS Rules, gazetted in July 2007, and the Public Finance Management Act No. 1 of 1999. It is a state-owned organisation governed by a Board and a Chief Executive Officer. The NHLS has a clear organisational structure consisting of a Head Office in Sandringham, Johannesburg, six areas (Mpumalanga and Limpopo, KwaZulu-Natal, Eastern Cape, Western and Northern Cape, Free State and North West, Gauteng) and three Institutes (NICD, NIOH and NCR). Each area is headed by a Business Area Manager who reports directly to the Chief Operations Officer. The creation of six regions is designed to ensure that NHLS plans, agree on budgets, and monitors laboratory services jointly with provincial health partners with the intention of laboratory services being seen and accepted as part of the public health delivery system. POCT is increasingly being used to speed up diagnosis within the health facility. NHLS recognises the value that POCT plays.

The NHLS delivers services throughout the public sector, from the PHC level to tertiary and quaternary hospitals. The level of complexity and sophistication of services increases from the peripheral laboratories to the central urban laboratories (with specialised surveillance infrastructure existing at isolated sites). The legacy of apartheid has left the health laboratory services in South Africa concentrated mainly in Gauteng, KwaZulu-Natal, and Western Cape provinces, in line with the spread of the previously advantaged institutions of higher learning.

Public-sector laboratories are situated within the health facilities owned by the DoH, and in some cases, universities. Therefore, the condition of the infrastructure depends on the quality of the health facility in which the laboratory is located. Great disparities still exist between urban and rural facilities. Some central and urban facilities are currently undergoing upgrades through the Hospital Revitalisation Programme. However, many remote rural facilities still require access to basic services.

SAVP is a wholly-owned subsidiary of the NHLS and provides the following services:

1. SAVP manufactures biologicals, namely anti-venom which include:
    a). Polyvalent antivenom
    b). Echis antivenom
    c). Boomslang antivenom
    d). Spider antivenom
    e). Scorpion antivenom;
2. Safety testing for pharmaceutical companies;
3. Research on routine products authorised via the animal ethics committee involving animals;
4. Preparation of horse and sheep serum; and
5. Preparation and sampling of horse blood.

# 3.5. GOVERNANCE, COMMITMENTS AND STAKEHOLDER ENGAGEMENT

## INTRODUCTION

The NHLS ensures that its processes and practices are reviewed on an ongoing basis to ensure compliance with legal obligations, the use of funds in an economic, efficient and effective manner, and adherence to good corporate governance practices. Processes and practices are characterised by reporting on economic, environmental, and social responsibilities. Such reporting is underpinned by the principles of openness, integrity, and accountability, and is an inclusive approach that recognises the importance of all stakeholders to the viability and sustainability of the NHLS.

Corporate governance is concerned with structures and processes for decision-making, accountability, control, and behaviour beginning at the top level of the organisation. Corporate governance sets the tone for behaviour down to the lowest levels.

## LEGISLATIVE AND GOVERNANCE FRAMEWORK

The NHLS is required to comply with, inter alia, the following:

- NHLS Act No.37 of 2000;
- General rules made in terms of Section 27 of the National Health Laboratory Service Act;
- National Health Act No. 61 of 2003;
- Companies Act No 71. of 2008;
- Protocol on Good Corporate Governance in the Public Sector,
- Public Finance Management Act No.1 of 1999 (as amended);
- Treasury Regulations issued in terms of PFMA, No.1 of 1999;
- Preferential Procurement Framework Act No. 5 of 2000;
- Relevant legislation applicable to the Health Sector;
- King IV Code on Good Corporate Governance; and
- Constitution of the Republic of South Africa, Act No.108 of 1996.

## ROLE AND FUNCTION OF THE ACCOUNTING AUTHORITY

The Board is the accounting authority of the NHLS in terms of the NHLS Act and PFMA.

The Board is scheduled to meet quarterly and is responsible for providing strategic direction and leadership, ensuring good corporate governance and ethics, determining policy, agreeing on performance criteria and delegating the detailed planning and implementation of policy to the EXCO.

The Board should comprise 22 members, including the Chief Executive Officer, Chairperson, and Vice Chairperson of the Board (21 members are non-executive members and one member is an executive).

The Board evaluates and monitors management's compliance with policy and achievements against objectives. A structured approach is followed for delegation, reporting, and accountability, which includes reliance on various Board committees. The chairperson guides and monitors the input and contributions of the Board members.

The Board has unlimited access to professional advice on matters concerning the affairs of the Economic Entity, at the Economic Entity's expense. The Board has approved a Code of Corporate Practice and Conduct, which includes terms of reference that guide the Board members in discharging their duties and responsibilities.

The Board evaluates its effectiveness on an annual basis and formulates plans to mitigate any shortcomings identified by the evaluation process.

## CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

The Chairperson is a non-executive and independent director (as recommended by good corporate governance practices).

The roles of Chairperson and Chief Executive Officer are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

## REMUNERATION AND HUMAN RESOURCES COMMITTEE

In terms of the NHLS Act, the Remuneration and Human Resources Committee (RHRC) is a committee of the Board that serves to assist it with the performance of its functions and the exercise of its powers. The committee reports on employment equity, employee turnover, skills development, and labour relations.

As part of the continued professional development programme, the Board invites corporate governance experts, as recommended by the Institute of Directors, from time to time to present topical matters and the latest developments in corporate governance practices.

In terms of good corporate governance practices, the RHRC has met on eight separate occasions during the financial year.

Attendance at the Remuneration and Human Resources Committee ("RHRC") for the year 1 April 2023 to 31 March 2024.

During the period under review, the Committee met four times.

| Name | 03/05/2023 | 25/07/2023 | 14/11/2023 | 15/02/20224 | Total |
|---|---|---|---|---|---|
| Mr Jonathan Mallett (Chairperson) | ✓ | ✓ | ✓ | ✓ | **4** |
| Prof Thanyani Mariba (Member) | ✓ | ✓ | ✓ | ✓ | **4** |
| Dr Lesley Bamford (Member) | A | A | ✓ | ✓ | **2** |
| Dr Mahlane Phalane (Member) | ✓ | A | A | ✓ | **2** |
| Mr Koena Nkoko (Member) | A | ✓ | A | A | **1** |
| Dr Kamy Chetty (CEO) | ✓ | ✓ | ✓ | ✓ | **4** |
| **Total number of meetings** | **4** | | | | |

*Legend: - n/m = Not a member*

*✓ = Present*

*A = Apology*

## FINANCE COMMITTEE

The Finance Committee (FinCom) assists the Accounting Authority in fulfilling its oversight responsibilities on an ongoing basis for matters relating to the financial practices and condition of the Economic entity by reviewing the Economic Entity's financial policies and procedures; keeping informed of the Economic Entity's financial conditions, requirements for funds, and access to liquidity, and considering and advising the Accounting Authority concerning the Economic Entity's sources and uses of funds.

In terms of good corporate governance practices, FinCom has met on seven separate occasions during the financial year.

Attendance at the FinCom for the year 1 April 2023 to 31 March 2024.

| Name | 18/05/2023 | 24/05/2023 | 18/07/2023 | 24/07/2023 | 17/10/2023 | 15/11/2023 | 14/02/2024 | 27/02/2024 | Total |
|---|---|---|---|---|---|---|---|---|---|
| Mr Michael Sachs (Chairperson) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **8** |
| Mr Nick Buick (Member) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **8** |
| Mrs Penelope Msimango (Member) | ✓ | A | A | ✓ | A | A | A | ✓ | **3** |
| Dr Mahlane Phalane (Member) | A | A | A | A | ✓ | A | A | A | **1** |
| Dr Naledzani Ramalivhana (Member) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | **7** |
| Dr Kamy Chetty (CEO) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **8** |
| **Total number of meetings** | **8** | | | | | | | | |

During the period under review, the Finance Committee met eight times.

*Legend: - n/m = Not a member*

*✓ = Present*

*A = Apology*

## AUDIT AND RISK COMMITTEE

In keeping with Treasury Regulation 27 of the PFMA, the Board appointed an Audit and Risk Committee (ARC) to assist in the discharge of its duties by reviewing and reporting on the governance responsibilities of the Board and the NHLS. The terms of reference of the ARC, its duties and functions, its composition and its modus operandi have been approved by the Board. Refer to page 131 for scheduled meetings and attendance.

Attendance at the ARC for the year 1 April 2023 to 31 March 2024.

During the period under review, the Committee met three times.

| Name | 27/09/2023 | 30/11/2023 | 21/02/2024 | TOTAL |
|---|---|---|---|---|
| Mr Koena Nkoko (Chair ARC) | ✓ | ✓ | ✓ | **3** |
| Mr Nick Buick (Vice Chair) | ✓ | ✓ | ✓ | **3** |
| Dr Naledzani Ramalivhana (member) | ✓ | A | A | **1** |
| Mr Jonathan Mallett (Member) | ✓ | ✓ | ✓ | **3** |
| Dr Kamy Chetty (CEO) | ✓ | ✓ | ✓ | **3** |
| **Total number of meetings** | **3** | | | |

**Legend: -** n/m = Not a member
✓ = Present
A = Apology

## JOINT AUDIT AND RISK COMMITTEE (ARC) AND FINANCE COMMITTEE

Attendance at the Joint ARC and FinCom for the year 1 April 2023 to 31 March 2024.

During the period under review, the Committee met **two** times.

| Name | 18/05/2023 | 07/08/2023 | TOTAL |
|---|---|---|---|
| Mr Michael Sachs (Chair FinCom) | ✓ | A | **1** |
| Mr Koena Nkoko (Chair ARC) | ✓ | ✓ | **2** |
| Mr Nick Buick (FinCom/ARC member) | ✓ | ✓ | **2** |
| Dr Naledzani Ramalivhana (FinCom/ARC member) | A | ✓ | **1** |
| Mrs Penelope Msimango (FinCom member) | ✓ | A | **1** |
| Dr Mahlane Phalane (FinCom member) | ✓ | ✓ | **2** |
| Mr Jonathan Mallett (ARC member) | ✓ | ✓ | **2** |
| Dr Kamy Chetty (CEO) | ✓ | ✓ | **2** |
| **Total number of meetings** | **2** | | |

**Legend: -** n/m = Not a member
✓ = Present
A = Apology

## GOVERNANCE, SOCIAL AND ETHICS COMMITTEE (GSEC)

The Committee is established to assist the Board with the oversight of corporate governance, social and ethical matters, and ensuring that the organisation is and remains a committed socially responsible corporate citizen. The commitment to sustainable development involves ensuring that the organisation conducts business in a manner that meets existing needs without knowingly compromising the ability of future generations to meet their needs. The Committee's primary role is to supplement, support, advise, and provide guidance on the effectiveness or otherwise of management's efforts concerning governance, social and ethical issues and sustainable development-related matters, which, inter alia, include the following:

a). Safety;
b). Health and wellness, including occupational hygiene;
c). Environmental management;
d). Climate change;
e). Ethics management;
f). Corporate social investment;
g). Mine Community Development;
h). Stakeholder engagement; and
i). The protection of company assets.

The Committee shall:

a). Review and approve the policy, strategy, and structure to manage governance, social and ethical issues in the organisation.
b). Oversee the monitoring, assessment and measurement of the organisation's activities relating to social and economic development, including the organisation's standing in terms of the goals and purposes of:
    i) The 10 principles set out in the United Nations Global Compact Principles;
    ii) The OECD recommendations regarding corruption;
    iii) The Employment Equity Act; and
    iv) The Broad-Based Black Economic Empowerment Act.
c). Oversee the monitoring, assessment and measurement of the organisation's activities relating to good corporate citizenship, including the organisation's promotion of equality, prevention of unfair discrimination, addressing corruption, contribution to the development of the communities in which its activities are predominantly conducted or within which its services are predominantly marketed, and record of sponsorship, donations, and charitable giving.
d). Oversee the monitoring, assessment, and measurement of the organisation's activities relating to the environment, health, and public safety, including the impact of the organisation's activities and its services.
e). Oversee the monitoring, assessment, and measurement of the organisation's stakeholder relationships, including its advertising, public relations, and compliance with consumer protection laws, to ensure that the organisation adheres to its values.
f). Oversee the monitoring of the organisation's labour and employment, including its standing in terms of the International Labour Organisation Protocol on decent work and working conditions, the organisation's employment relationships, and its contribution towards the educational development of its employees.
g). Review the adequacy and effectiveness of the organisation's engagement and interaction with its stakeholders.
h). Consider substantive national and international regulatory developments as well as practice in the fields of social and ethical management.

i). Review and approve the policy and strategy pertaining to the organisation's programme of corporate social investment.

j). Determine clearly articulated ethical standards (Code of Ethics) and ensure that the organisation takes measures to achieve adherence to these in all aspects of the business, thus achieving a sustainable ethical corporate culture within the organisation.

k). Monitor that management develops and implements programmes, guidelines, and practices congruent with its social and ethical policies.

l). Review the material risks and liabilities relating to the provisions of the Code of Ethics and ensure that such risks are managed as part of the risk management programme.

m). Obtain external assurance of the organisation's ethics performance on an annual basis and facilitate the inclusion in the Integrated Report of an assurance statement related to the ethics performance of the organisation.

n). Ensure that management has allocated adequate resources to comply with social and ethical policies, codes of best practice and regulatory requirements.

## GOVERNANCE, SOCIAL AND ETHICS COMMITTEE:

Attendance at the GSEC for the year 1 April 2023 to 31 March 2024.

During the period under review, the Committee met four times.

| Name | 07/06/2023 | 08/09/2023 | 07/12/2023 | 20/03/2024 | TOTAL |
|---|---|---|---|---|---|
| Prof Eric Buch (Chairperson of the NHLS Board) | ✓ | ✓ | ✓ | ✓ | **4** |
| Prof Jeffrey Mphahlele (Vice-Chair of the NHLS Board and Chair RIC) | ✓ | ✓ | ✓ | ✓ | **4** |
| Prof Thanyani Mariba (Chair NAPC) | ✓ | A | ✓ | ✓ | **3** |
| Mr Michael Sachs (Chair FinCom) | ✓ | A | ✓ | A | **2** |
| Mr Koena Nkoko (Chair ARC) | ✓ | ✓ | A | ✓ | **3** |
| Dr Kamy Chetty (CEO) | ✓ | ✓ | ✓ | ✓ | **4** |
| **Total number of meetings** | **4** | | | | |

*Legend: - n/m = Not a member*

*✓ = Present*

*A = Apology*

## THE NATIONAL ACADEMIC AND PATHOLOGY COMMITTEE (NAPC)

The functions of the committee shall be to facilitate by formulating policy with regard to:

a). the conduct of basic research in association or partnership with any tertiary educational institution;

b). cooperation with persons and institutions undertaking basic research in the Republic and other countries through the exchange of scientific knowledge and the provision of access to the resources and specimens available to the Service;

c). the participation in joint research operations with departments of State, universities, universities of technology, colleges, museums, scientific institutions, and other persons;

d). cooperation with educational authorities and scientific or technical societies or industrial institutions representing employers and employees, respectively, for the promotion of the instruction and training of pathologists, technologists, technicians, scientists, researchers, technical experts, and other supporting personnel in universities, universities of technology, and colleges; and

e). any other matter as may be referred to the committee from time to time by the Board.

As part of its duties, the committee shall monitor and manage the agreements entered into between the service and each tertiary education institution, including:

a). the development of policies and guidelines to determine the numbers of registrars for each discipline and the distribution of the registrar posts between the laboratories associated with each university health science faculty;

b). the development of policies and guidelines to determine the numbers of technologist training posts for each discipline and the distribution of the posts between the laboratories identified for this purpose;

c). proposing guidelines relating to part-time, honorary and guest appointments of employees of the service by tertiary education institutions;

d). monitor the guidelines for consultant appointments of personnel of tertiary education institutions in the service as determined by the agreement between the service and the universities;

e). ensuring that the process of continuing professional development programmes provided by tertiary education institutions in the service is used by service employees to comply with Career Programme Development requirements;

f). reviewing and managing arrangements for research being undertaken by tertiary education institutions in the laboratories of the service;

g). advising the executive management on matters relating to indemnity for employees of the service or a tertiary education institution working between the facilities of both partners;

h). advising the executive management committee on matters relating to the discipline of personnel of the service or a tertiary education institution working between the facilities of both partners;

i). advising the executive management committee on financial matters, such as subsidies, bursaries, and payment for academic-related services;

j). monitoring, evaluating and managing service level agreements and performance measures;

k). advising, monitoring and evaluating the resolution of disputes if they should arise;

l). ensuring the integrity of the process of managing the partnerships;

m). ensuring that professional ethics are adhered to; and

n). ensuring that the service complies with the requirements of the Health Professionals Council in respect of registration requirements, ethics and conduct.

## NATIONAL ACADEMIC PATHOLOGY COMMITTEE (NAPC)

Attendance at the National Academic Pathology Committee for the year 1 April 2023 to 31 March 2024.

During the period under review, the Committee met four times.

| Name | 12/05/2023 | 03/08/2023 | 09/11/2023 | 08/02/2024 | TOTAL |
|---|---|---|---|---|---|
| Prof Thanyani Mariba (Chairperson) | ✓ | ✓ | ✓ | ✓ | **4** |
| Prof Jeffrey Mphahlele (Chairperson SC1) | ✓ | ✓ | A | A | **2** |
| Prof Mpho Kgomo (Member) | ✓ | ✓ | ✓ | A | **3** |
| Prof Tivani Mashamba–Thompson (Member) | ✓ | A | ✓ | ✓ | **3** |
| Mr Jonathan Mallett (Member) | ✓ | ✓ | ✓ | ✓ | **4** |
| Ms Nicolene van der Westhuizen (Member) | A | A | A | A | **0** |
| Dr Kamy Chetty (CEO) | A | ✓ | ✓ | ✓ | **3** |
| **Total number of meetings** | **4** | | | | |

*Legend: - n/m = Not a member*

*✓ = Present*

*A = Apology*

## RESEARCH AND INNOVATION COMMITTEE (RIC)

The committee has been established as a vehicle for ensuring that the NHLS research mandate receives attention at the Board level. Members of the RIC may be called on from time to time to interact with external stakeholders and funding agencies.

The role of the RIC is to advise the NHLS Board and the NAPC on research policies, strategies, initiatives, and innovations that promote the research interests of the organisation and nurture and enable high-quality research.

The objectives of the RIC are aligned with those stipulated in the South African Health Research Policy of 2001, the National Department of Health 10-point plan and the National Health Research Committee (NHRC).

Attendance at the RIC for the year 1 April 2023 to 31 March 2024.

During the period under review, the RIC met four times

| Name | 09/05/2023 | 02/08/2023 | 07/11/2023 | 07/02/2024 | TOTAL |
|---|---|---|---|---|---|
| Prof Jeffrey Mphahlele (Chairperson) | ✓ | ✓ | ✓ | ✓ | **4** |
| Prof Tivani Mashamba–Thompson (Vice Chair) | ✓ | ✓ | A | ✓ | **3** |
| Dr Naledzani Ramalivhana (Member) | ✓ | ✓ | ✓ | **A** | **3** |
| Dr Siseko Martin (Member) | ✓ | ✓ | ✓ | ✓ | **4** |
| Dr Kamy Chetty (CEO) | ✓ | ✓ | ✓ | ✓ | **4** |
| **Total number of meetings** | **4** | | | | |

**Legend: -** n/m = Not a member
✓ = Present
A = Apology

## THE EXECUTIVE AND OPERATIONAL COMMITTEE (EXCO/OPCO)

In terms of the NHLS Act, the Accounting Authority has appointed an Executive Management Committee (EXCO), whichconsists of:

o). The Chief Executive Officer, who acts as chairperson; and
p). Executive managers within the NHLS and its operational units.

The EXCO is responsible for the management of the NHLS in accordance with the policy of the NHLS and assists with the performance of the Accounting Authority's functions and the exercise of its powers.

The Committee met 15 times during the period under review, and the attendance is as follows:

Attendance at the EXCO/OPCO for the year 1 April 2023 to 31 March 2024.

During the period under review, the Committee met 15 times.

| Name | 03/04/2320 | 04/04/2023 | 08/05/2023 | 05/06/2023 | 10/07/2023 | 21/08/2023 | 07/09/2023 | 09/10/2023 | 27/11/2023 | 28/11/2023 | 10/01/2024 | 11/01/2024 | 05/02/2024 | 06/02/2024 | 28/03/2024 | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dr Kamy Chetty **(Chairperson)** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **15** |
| Dr Clothilda Oliphant **(COO)** | n/m | n/m | n/m | n/m | n/m | n/m | n/m | n/m | n/m | n/m | n/m | ✓ | ✓ | ✓ | ✓ | **04** |
| Ms Pumeza Mayekiso **(CFO)** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **15** |
| Mr Sibongiseni Hlongwane **(CIO)** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **15** |
| Prof Koleka Mlisana **(AARQA Executive Manager)** | A | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | A | ✓ | ✓ | A | **10** |
| Dr Spo Kgalamono **(Director NIOH)** | ✓ | A | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | A | **11** |
| Prof Adrian Puren **(Director NICD)** | ✓ | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **14** |
| Ms Makgopelo Mkhwanazi **(HR Executive Manager)** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | A | ✓ | ✓ | ✓ | **13** |
| Advocate Mpho Mphelo **(Company Secretary)** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | n/m | n/m | n/m | n/m | n/m | n/m | n/m | n/m | **7** |
| Prof Wendy Stevens **(NPP Executive)** | A | A | ✓ | ✓ | A | ✓ | ✓ | ✓ | A | A | ✓ | ✓ | A | ✓ | A | **8** |
| Prof Elizabeth Mayne **(EC Chair)** | ✓ | ✓ | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | A | A | ✓ | ✓ | ✓ | **12** |
| Ms Violet Gabashane **(SM: Monitoring & Evaluations)** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **14** |
| Mr Nkosinathi Khumalo **(Head: Internal Audit & Risk)** | A | ✓ | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **13** |
| Mr Mzimasi Gcukumana **(SM: Communications)** | ✓ | A | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **13** |
| Ms Kagiso Tsatsi **(Head: FCLs)** | n/m | n/m | n/m | n/m | n/m | n/m | n/m | n/m | n/m | n/m | n/m | ✓ | ✓ | A | ✓ | **03** |
| Mr Jone Mofokeng **(Area Manager: FS & NW)** | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | A | **12** |
| Ms Tabita Makula **(Area Manager: EC)** | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **14** |
| Mr Sibulele Bandezi **(Area Manager: KZN)** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **15** |
| Mr Jacob Lebudi **(Area Manager: Limp & MP)** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | **15** |
| Ms Nasima Mohamed **(Area Manager: NC & WC)** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | **13** |
| Mr Bahule Motlonye **(Area Manager: GP)** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | A | ✓ | A | ✓ | ✓ | ✓ | ✓ | **13** |
| **TOTAL** | **15** | | | | | | | | | | | | | | | |

**Legend: -** n/m = Not a member
✓ = Present
A = Apology

## COMPANY SECRETARY

- Induction of new Board members;
- Providing Board members collectively and individually with guidance as to their duties, responsibilities and powers;
- Making Board members aware of any law relevant to or affecting the entity;
- Providing guidance to and advising the Board on ethical matters and good governance principles; and
- Recording of Board and Committees proceedings.

Board members have unlimited access to the advice and services of the Company Secretary.

# 3.6. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year that ended on 31 March 2024.

## AUDIT AND RISK COMMITTEE RESPONSIBILITY

The committee reports that appropriate formal terms of reference were adopted in its Charter, in line with the requirements of Section 51(1)(a)(ii) of the PFMA and Treasury Regulation 27. The committee further reports that its affairs were conducted in compliance with this Charter.

## THE EFFECTIVENESS OF INTERNAL CONTROLS

The committee reviewed various reports prepared by both internal and external auditors to assess the adequacy and effectiveness of the internal control environment as well as the Annual Financial Statements (AFS). The assessment is based on the following three (3) parameters: **Satisfactory**, where business process controls were reported as both adequate and effective; **Weak**, if some controls within the business process were reported as ineffective; and **Unsatisfactory**, if some controls within the business process were found to be inadequate and ineffective. The outcomes of the committee's assessment are depicted in the table below and are based on eight (8) business processes.

| No. | Business process | Control assessment |
|---|---|---|
| 1 | Compliance | ☹ |
| 2 | Financial health | ☺ |
| 3 | Financial management | ☹ |
| 4 | Human resources | 😐 |
| 5 | Information technology | ☹ |
| 6 | Procurement and contract management | ☹ |
| 7 | Performance management | 😐 |
| 8 | Oversight and monitoring | 😐 |

| Legend: | Satisfactory ☺ | Weak 😐 | Unsatisfactory ☹ |
|---|---|---|---|

The committee notes with great concern the business processes that are weak and unsatisfactory as well as management's failure to resolve previously reported audit findings. The Committee obtained commitment from management that identified control deficiencies will be resolved to improve the control environment. The Internal Audit will conduct follow-up audits to establish whether corrective actions have been implemented by management and provide feedback to the Committee..

## INTERNAL AUDIT

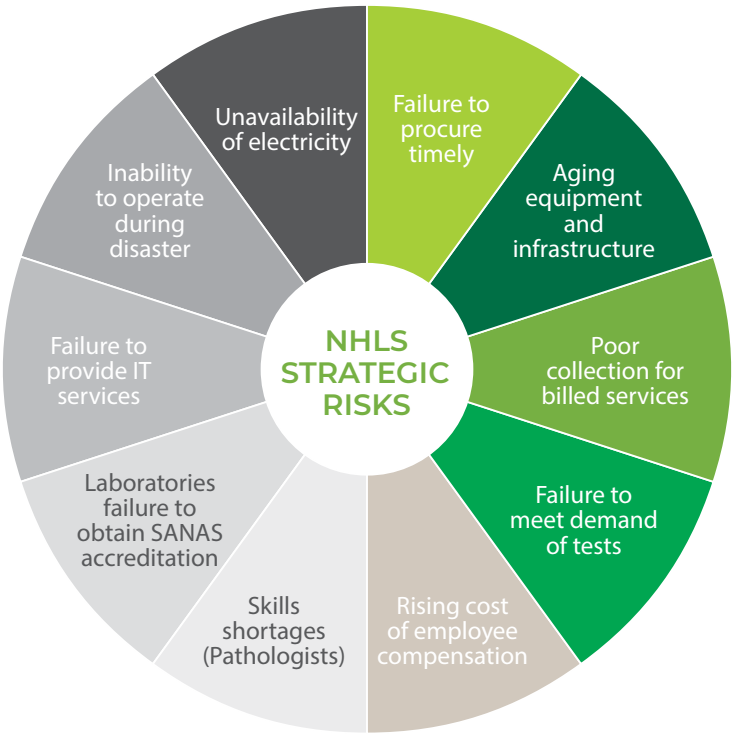
The committee is satisfied with the effective role played by the Internal Audit within the organisation. The committee has reviewed internal audit reports and indicated the need for management to address the reported findings. The reports reviewed include, amongst others:

- Tender Compliance;
- Laboratory Operational Audits;
- Payroll and Human Resources;
- Property, Plant and Equipment;
- Audit of Performance Information;
- Accounts Receivable and Revenue;
- Procurement and Accounts Payable;
- Information Technology General and Application Controls;
- Cybersecurity; and
- Follow-up on previously reported audit findings.

## RISK MANAGEMENT

The NHLS has an Enterprise Risk Management (ERM) framework designed to assist the organisation manage anticipated risks and increase the likelihood to achieve its objectives. The responsibility for risk management resides with management, while the Board plays an oversight role. The Board discharges its responsibility through the Audit and Risk Committee (ARC).

The NHLS has a dedicated Risk Management and Internal Audit Department that coordinates the implementation of the risk management strategy. Risk management processes are embedded throughout the organisation with strategic and operational risk assessment workshops facilitated.




The committee believes that material risks have been identified and management actions and mitigation plans provided. The committee exercised oversight on the implementation of the risk mitigation plans.

## FRAUD AND CORRUPTION

Anonymous tip-off platforms for reporting fraud, corruption, and unethical behaviour were operational throughout the financial year. These platforms are administered by an independent service provider. The reported allegations were investigated, and final investigation reports with findings, conclusions, and recommendations were presented to the committee. The committee obtained a commitment from management that recommendations from the investigation reports were being implemented.

Subsequent to the financial year end, in June 2024 NHLS experienced cyber fraud which resulted in unauthorised access to systems, networks, database, critical applications.

The Committee obtained assurance from management that IT security measures have been upgraded to prevent future cyber security breaches. A comprehensive end-to-end investigation into the cyber security breach has been commissioned with the aim to improve the entire value chain of cyber security and ICT governance in the organisation.

## COMPETENCY OF THE FINANCE DEPARTMENT

The committee acknowledges that the Finance department has capacity challenges. Management has committed to remedying the identified gaps to strengthen the skills and competency of the Finance Department.

## EVALUATION OF THE GROUP ANNUAL FINANCIAL STATEMENTS

During the reporting year, the committee has reviewed the following:

- The audited Group Annual Financial Statements;
- Management report from external auditors;
- Accounting policies and practices;
- Compliance with legal and regulatory provisions; and
- Significant adjustments to Group Annual Financial Statements.

The committee concurs with the external auditors' report and is of the opinion that the audited Group Annual Financial Statements should be accepted. Moreover, having had regard to the NHLS's statutory and other responsibilities as well as all factors that may have an impact on the integrity of the financial statements, the committee accepted the application of the going concern premise and recommended that the NHLS board approve the Group Annual Financial Statements.

**Mr. Koena Nkoko**
**Chairperson: Audit and Risk Committee**
**Date: 06 December 2024**

# PART D

## HUMAN RESOURCES

# 4. PART D: HUMAN RESOURCES

## 4.1. EXECUTIVE SUMMARY

**Ms Makgopelo Mkhwanazi**
**Executive Manager: Human Resources**

The Human Resources team played a vital role in driving business success, fostering a culture of innovation and inclusivity, and enhancing employee experience. We remain committed to attracting, retaining, and developing top talent to move our organisation forward.

The human resources team, in collaboration with labour and management stakeholders, has managed to improve its turnaround time for negotiations on wage agreements compared to previous years. To recognise and acknowledge high-performing employees, the Human Resources team also showed a notable improvement in implementing Performance Pay Progression for eligible employees.

While the human resources team strives to maintain a balance between rewarding good performance and keeping within budget. We saw a slight increase in personnel expenditure by 5%, which can be attributed to the annual general increase percentage of 6.5% for management and 7% for bargaining forum employees and the payment of performance pay progression. The human resources team continually searches for ways to keep the NHLS employees engaged, focused, and healthy.

In keeping up with the training mandate of the NHLS, the Human Resources team enabled business by providing training and skills development to its employees to improve the overall business performance. In addition, the NHLS continues to train unemployed learnerships and internships, of which the majority were retained in available vacancies.

We have observed that our turn-over ratio on voluntary resignation has decreased compared to the previous year. Our employee assistance programme was enhanced by over 100 interventions, which our employees have benefitted from based on varied challenges. This is in addition to the 24-hour hotline, in which employees can receive counselling at their leisure for issues ranging from trauma, relationship issues, work-related, and family challenges, to name the top four services provided in the previous financial year.

The NHLS representation of people with disabilities remained lower than the target by 0.5%. Plans are in place to implement targeted recruitment through leadership/internship programmes to absorb in certain areas.

The NHLS continues to maintain its employment equity status, especially with its executive team. Out of ten executive management roles, seven (70%) are occupied by females in either permanent or acting capacity. Four of the executive roles are in the process of recruitment and selection.

Lastly, to ensure that there is always consistency and fairness in the organisation, we embarked on several policy reviews in consultation with employees, management, and labour stakeholders:

## 4.2. HUMAN RESOURCES

**Table 1: Personnel Cost by programme/activity/objective.**

| Programme/activity/ objective | Total Expenditure for the entity | Personnel Expenditure (R'000) | Personnel exp. as a% of total exp. | No. of employees | Average personnel cost per employee |
|---|---|---|---|---|---|
| **Total remuneration cost** | 14 605 250 | 5 032 665 | 35% | 8 215 | 612 619 |

**Table 2: Personnel cost by occupational level.**

| Programme/activity/objective | Personnel Expenditure | % of personnel exp. to total personnel cost (R'000) | No. of employees | Average Cost per employee |
|---|---|---|---|---|
| Top Management | 20 629 | 0,4% | 7 | 2 947 000 |
| Senior Management | 83 942 | 1,7% | 36 | 2 331 722 |
| Professional Qualified | 1 285 875 | 25,6% | 935 | 1 375 267 |
| Skilled | 2 231 387 | 44,3% | 3195 | 698 400 |
| Semi-skilled | 1 142 769 | 22,7% | 2744 | 416 461 |
| Unskilled | 190 111 | 3,8% | 861 | 220 803 |
| Students in Training Platforms | 77 952 | 1,5% | 437 | 178 380 |
| **TOTAL** | **5 032 665** | **100%** | **8 215** | **612 619** |

Personnel expenditure increased by 5% (R5 032 665) compared to the previous year's cost, which was R4 790 769. Skilled occupational level showed an increase in personnel expenditure to 44.3% compared to the previous year 42.67%. Top management, senior management, professional-qualified employees, and unskilled occupational workers all showed stability or no movement. Semi-skilled occupational level showed a decrease of 3% (22.7%) compared to the previous year (25.74%).

The headcount in the above Table 2 refers to all employees who were paid. Payment can include salary, leave pay-out, reinstatements, and any other authorised payment. The personnel expenditure headcount will therefore always be more than the actual employee headcount, which will be addressed in Table 5. The headcount or number of employees who were paid during the reporting year has decreased by 1% (8 215) compared to the previous year (8 302).

The increase in personnel expenditure can be attributed to the annual salary increase of 7%, the performance pay progression, and associated once-off bonuses.

**Table 3: Performance Rewards.**

| Programme/activity/ objective | PPP adjustment | | | Once-off PPP bonus | | |
|---|---|---|---|---|---|---|
| | Value (Rands) | Numbers | % | Value (Rands) | Numbers | % |
| Top Management | 59 716.61 | 2 | 0.0 | 0 | 0 | 0 |
| Senior Management | 825 929.07 | 26 | 0.5 | 164 347.44 | 7 | 0.4 |
| Professional Qualified | 9 709 936.20 | 578 | 10.1 | 2 140 012.47 | 191 | 11.2 |
| Skilled | 17 123 973.10 | 2 278 | 40.0 | 4 575 951.59 | 831 | 48.7 |
| Semi-skilled | 9 281 162.86 | 2 196 | 38.5 | 1 802 256.13 | 600 | 35.1 |
| Unskilled | 590 022.60 | 649 | 11.4 | 103 594.36 | 79 | 4.6 |
| **TOTAL** | **37 590 740.44** | **5 729** | **100** | **8 786 161.99** | **1 708** | **100** |

Table 3 above depicts the performance pay progression payment (PPP) for the performance year 2022–2023, which gets paid in each year in October. Employees who receive a performance score of three or above are eligible to receive a 1.5% salary adjustment. Furthermore, employees who receive a performance score of four get an additional once-off bonus of 1% of their package, and for the score of five, it is a 1.5% once-off bonus.

Total expenditure for performance pay progression (PPP) (1% salary adjustment) was about R38 million for 5 800 employees. Skilled occupational level had more employees who were eligible for PPP with an expenditure of about R17 million followed by professionals qualified with R10 million, and 578 eligible employees. Top management had the least number of eligible employees, two with an expenditure value of R60 000.

There were 1 700 employees who were eligible for a once-off bonus with a total expenditure value of R8.7 million. Senior management and unskilled occupational levels had the least number qualifying employees; top management had no participation for the performance year; and skilled and semi-skilled occupational levels had the highest participation and eligibility with 831 and 600, respectively.

**Table 4: Training Costs.**

| Training type | Personnel Expenditure R'000 | Training Expenditure R'000 | Training Expenditure as a% of Personnel Cost (%) | No. of Employees Trained | Average Training Cost per Employee (R) |
|---|---|---|---|---|---|
| Non-PIVOTAL* programmes (short courses, workshops, seminars, congresses, and continuous professional development interventions) | 5 160 000 | 29 599 145 | 0.57% | 5808 | 5089.38 |
| PIVOTAL programmes for non-employees (higher education qualifications) | N/A | 21 551 938 | 0.42% | 841 | 25 626.56 |
| PIVOTAL programmes for non-employees participating in learnerships, on-the-job training and workplace experience (130 Diploma + 164 BHSc) | 37 737 828.24 | 37 737 828.24 | 0.73% | 294 | 128 359.96 |

By implementing the WSP, the NHLS can carry out its mandate of analysing the skill requirements of its workforce and prioritising skill development. The organisation provides a variety of learning opportunities through short learning programmes, in-service conferences and congresses, and continuous professional development programmes to help mitigate risks, assure business continuity, enhance service quality, and comply with legal requirements.

While the HWSETA legislation target is 60%, the NHLS reached 60% in the reviewed financial year, and the NHLS APP is 75%. In 2023–2024, 5808 employees participated in conferences, workshops, seminars, on-the-job training, and short learning programmes, both technical and non-technical. This figure represents the number of employees who receive training.

NHLS employees who want to further their professional development through formal degrees were awarded a total of 841 bursaries. Regarding the cost containment that was taking place, the NHLS has complied with the statutory obligation by 60%. Our goal for the upcoming fiscal year is to fulfil both the statutory requirement and the 60% NHLS APP target. This will be feasible if the procurement department is successful in finding outside service providers to arrange the employee-requested external courses.

**Table 5: Employment and vacancies.**

| Programme/activity/objective | 2022-2023 | 2023-2024 | 2023-2024 | 2023-2024 | % of vacancies |
|---|---|---|---|---|---|
| | No. of Employees | Approved posts | No. of Employees | Vacancies | |
| Top Management | 9 | 11 | 7 | 2 | 18.2% |
| Senior Management | 38 | 53 | 36 | 15 | 3.8% |
| Professional Qualified | 853 | 1 128 | 844 | 275 | 0.2% |
| Skilled | 3 040 | 3 413 | 2 990 | 373 | 0.1% |
| Semi-skilled | 2 867 | 3 248 | 2 792 | 381 | 0.1% |
| Unskilled | 787 | 841 | 794 | 54 | 0.2% |
| Students in Training Platforms | 599 | 599 | 718 | 0 | 0.3% |
| **TOTAL** | **8 193** | **9 293** | **8 181** | **1 100** | **11,8%** |

The above table reflects the staff headcount at the beginning and end of the reporting period, including vacancies.

The staff headcount decreased by a mere 0.15% as of 31 March 2024, compared to the headcount at the beginning of the reporting period. In a unique organisation such as ours, the NHLS core skills are within the scarce and critical group thus resulting in the high vacancy rate. National Treasury has also enforced cost containment; therefore, this will make it even harder for our organisation to fill vacated positions as they arise. NHLS will prioritise filling of core and scaqrce skills in all regions as well as support functions.

It should also be noted that some of the positions appearing in the vacancy list are short-term, newly created positions that are grant-funded; therefore, all the factors listed above contributed to a vacancy rate of 11,8 %.

**Table 6: Employment changes.**

| Programme/ activity/objective | Employment at the beginning of the period | Appointments | Terminations | Employment at the end of the period |
|---|---|---|---|---|
| Top Management | 9 | 0 | 2 | 7 |
| Senior Management | 38 | 3 | 5 | 36 |
| Professional Qualified | 853 | 88 | 97 | 844 |
| Skilled | 3 040 | 153 | 203 | 2 990 |
| Semi-skilled | 2 867 | 98 | 173 | 2 792 |
| Unskilled | 787 | 62 | 55 | 794 |
| Students in Training Platforms | 599 | 371 | 252 | 718 |
| **TOTAL** | **8 193** | **775** | **787** | **8 181** |

The table above reflects the total staff headcount at the beginning and end of the reporting period, as well as movements. The total number of appointments during the current reporting period was 775. Thirty-three percent of the appointments were permanent staff, while 67% were other contract types such as fixed-term contracts, sessionals, and students in our training platforms. It is worth noting that 17 employees who were Registrars at the beginning of the reporting period qualified as Pathologists in the following disciplines: analytical pathology (2), chemopathology (5), haematology (3), microbiology (5) and virology (2).

The annual turnover rate for the current reporting period was 3%, and this was based on a low number of permanent staff resignations. During the current reporting period, one member of the top management exited NHLS, while one member who was Executive Director of NIOH at the beginning of the reporting period has since moved and/or been appointed as a Principal Pathologist under NIOH – Occupational Medicine. The position of Company Secretary, which was vacant at the end of the reporting period, has since been filled by an incumbent who started on 1 April 2024.

**Table 7: Reasons for leaving.**

| Reason | Total count | % of total no. of staff leaving |
|---|---|---|
| Death | 28 | 0.3% |
| Resignations | 236 | 2.9% |
| Dismissals | 31 | 0.4% |
| Retirement | 103 | 1.3% |
| Ill Health | 2 | 0% |
| Expiry of contracts | 387 | 4.7% |
| **TOTAL** | **787** | **9.6%** |

The number of voluntary resignations has decreased compared to last year, which is a positive report for us when the majority of employees voluntarily opt to stay within the organisation. The number of dismissals ha remained the same as the last reporting period. On a very sad note, our termination report reveals that the number of deceased staff increased by 33% compared to last year. The number of retirements increased by 23% from last year, which should encourage line managers in all NHLS departments and laboratories to implement succession plans that will enable "skills transfer" to take place on time so that we do not lose corporate knowledge from our experienced staff when they reach retirement age. NHLS only has two dismissals due to ill health during the period. This means that even though we had a high number of temporary disability cases during the year, the majority of our employees recovered and/or are still recovering and have since been integrated back into the workplace.

**Table 8: Labour Relations – Misconduct and Disciplinary Action.**

| Nature of Disciplinary Action | Number |
|---|---|
| Verbal Warning | 27 |
| Written Warning | 39 |
| Final Written warning | 29 |
| Dismissal | 31 |
| Not Guilty | 11 |
| Pending cases | 60 |
| **TOTAL** | **197** |

The table above shows sanctions for disciplinary action cases that were handled during this reporting period as well as pending cases as of 31 March 2024.

**Table 9: Equity Target and Employment Equity Status – Males per Ethnic Group.**

| Programme/activity/ objective | MALE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 1 | 3 | 1 | 1 | 0 | 0 | 0 | 0 |
| Senior Management | 8 | 15 | 0 | 2 | 5 | 2 | 4 | 4 |
| Professional Qualified | 132 | 277 | 28 | 42 | 38 | 43 | 79 | 82 |
| Skilled | 756 | 972 | 67 | 118 | 43 | 49 | 40 | 75 |
| Semi-skilled | 778 | 974 | 75 | 123 | 34 | 36 | 7 | 28 |
| Unskilled | 325 | 342 | 7 | 18 | 0 | 2 | 0 | 12 |
| **TOTAL** | **2 000** | **2 583** | **178** | **304** | **120** | **132** | **130** | **201** |

The Department of Employment and Labour (DEL) provides statistics of the economically active population demographics annually as per race and gender to align all recruitment processes to achieve the provisions of the Employment Equity Act, No. 55 of 1998. African males and Coloured males remain our employment equity targets at all occupational levels. Indian and White males are the most over-represented when compared to the economically active population demographics. This can be noted at the senior and professionally qualified levels. The skilled level remains under-represented in all male races and gender groups.

**Table 10: Equity Target and Employment Equity Status – Females per Ethnic Group.**

| Programme/activity/ objective | FEMALE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 3 | 3 | 1 | 1 | 1 | 1 | 0 | 0 |
| Senior Management | 7 | 11 | 1 | 2 | 5 | 5 | 5 | 6 |
| Professional Qualified | 308 | 403 | 39 | 44 | 104 | 103 | 162 | 162 |
| Skilled | 1 702 | 1 712 | 155 | 160 | 141 | 149 | 181 | 184 |
| Semi-skilled | 1 488 | 1 494 | 185 | 186 | 41 | 40 | 60 | 70 |
| Unskilled | 474 | 476 | 22 | 28 | 0 | 2 | 0 | 3 |
| **TOTAL** | **3 982** | **4 099** | **403** | **421** | **292** | **300** | **408** | **425** |

African females are mostly under-represented in senior management and at the professionally qualified level; hence, they are the highest target at these levels.

Indian and White females are over-represented at the senior and professionally qualified levels. All Female race and gender groups are over-represented at the skilled level; hence, the target should focus on all males, irrespective of race and gender.

**Table 11: Equity Target and Employment Equity Status – People with Disabilities.**

| Programme/activity/ objective | Disabled | | Staff | |
|---|---|---|---|---|
| | Male | | Female | |
| | Current | Target | Current | Target |
| Top Management | 0 | 0 | 0 | 0 |
| Senior Management | 0 | 0 | 0 | 0 |
| Professional Qualified | 1 | 0 | 1 | 0 |
| Skilled | 2 | 5 | 13 | 17 |
| Semi-skilled | 2 | 4 | 4 | 6 |
| Unskilled | 2 | 7 | 3 | 5 |
| **TOTAL** | **7** | **16** | **21** | **28** |

The representation of people with disabilities remains at 0.5% below the compliance target of 2%. Programmes such as learnerships or internships and targeted recruitment are geared to address the under-representation.

# PART E

## FINANCIAL INFORMATION

# 5. PART E: FINANCIAL INFORMATION

## 5.1. CHIEF FINANCIAL OFFICER'S REPORT

**Ms Pumeza Mayekiso**

## INTRODUCTION

The 2023-2024 financial year was characterised by the National Health Laboratory Service continuing to improve its financial position through solid financial performance and careful management of all expenditure. This is demonstrated in the increase in revenue, which increased from R12.2 billion in 2022-2023 to R12.4 billion in 2023-2024. To this end, the NHLS has maintained a strong financial position for the financial year ended 31 March 2024. The NHLS maintained an unqualified audit opinion with findings for the last five consecutive financial years. However, in the 2023-2024 financial year, the NHLS received a qualified audit opinion. Management is in the process of analysing the internal control deficiencies that led to the regression and audit recommendations in order to develop action plans to address the underlying root causes and improve the audit outcomes in the following financial year.

### Overview: Statement of Financial Position

The NHLS' assets increased from a restated R10.5 billion to R11.8 billion. Cash and cash equivalents increased from R5.1 billion to R5.7 billion in the current year. Current liabilities decreased from R1.9 billion to R1.7 billion (an 11% decrease), mainly due to a decrease in payables from exchange transactions and provisions. The NHLS has maintained strong financial viability and enhanced its cash reserves. The liquidity ratio improved from 4:1 to 6:1, which illustrates that NHLS is in a strong financial position and is able to meet its obligations when they fall due.

### Overview: Statement of Financial Performance

The NHLS generated a surplus of R1.5 billion for the 2023-2024 financial year, a decrease from the restated R3.2 million in the previous financial year. This is mainly due to the GRAP 104 adjustment that was processed for the first time in the prior financial year.

The organisation's revenue increased from R12.2 billion to R12.4 billion (a 1% increase). Revenue from rendering services accounts for 93% (R11.5 billion) of total revenue. Costs of sales remained stable year on year. Labour costs constituted 51% of the cost of sales. Direct material costs constituted 47% of the cost of sales, compared to 51% in the previous financial year.

## Cash flow

A net increase in cash and cash equivalents of R572 million was received in the 2023-2024 financial year. This is mainly attributable to a net cash inflow from operating activities. Suppliers were paid R6.4 billion during the year, compared with R4.8 billion in the prior year with the amount paid in relation to employee costs amounting to R5.1 billion. A net cash outflow from investing activities of R316 million was also incurred. This is mainly attributable to the purchase of laboratory equipment.

## Going concern

Given its significance in the public and private health sectors and its ability to deliver affordable pathology health services to the South African public, the Department of Health has neither the intention nor the need to liquidate or curtail the scale of the NHLS. Management considered a wide range of factors in determining whether the organisation is a going concern. These factors include its current and expected performance as a Schedule 3A public entity and the likelihood of future government funding. For the financial year under review, the NHLS has enhanced cash and cash equivalents at levels that ensure continuity of service. During the 2023-2024 financial year the debtors collection remained within an acceptable level, though there has been a reduction from the amount that was received in the previous financial year. The reduction in the amount received is mainly attributable to the budget cuts, and the NHLS will be closely monitoring this in the coming financial years. Albeit the NHLS remains in a strong and stable financial cash position. The separate and consolidated annual financial statements were therefore prepared based on the accounting policies applicable to a going concern. In line with the South African Standards of Generally Recognized Practice, this basis presumes that funds will be available to finance future operations and that the realisation of assets and liabilities, contingent obligations, and commitments will occur in the ordinary course of business. This specifically assumes that the debt owed by provinces will continue to be adequately serviced.

## Maintenance of financial control systems

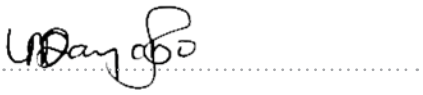
The Board is ultimately responsible for systems of internal financial control within the NHLS and places considerable importance on maintaining a strong control environment. Based on assessments of internal and external audits. Internal and external audits have highlighted certain areas where internal controls must be strengthened, and management is committed to addressing these.

## Borrowing limitations

In terms of the NHLS' rules, the Board may exercise all the powers of the economic entity to borrow money as it considers appropriate, in accordance with the PFMA. The entity did not borrow funds to finance its operations during the financial year under review.

## Acknowledgements

It is imperative to express appreciation to the Board for the strategic direction. In addition, the CEO's leadership has proven invaluable in carrying out the entity's mandate. The dedication of the NHLS' management and staff has brought the true spirit of service to bear.



**Ms Pumeza Mayekiso CA(SA)**
**Chief Financial Officer**
**Date: 6 December 2024**

# CONTENT

The reports and statements set out below comprise the consolidated annual financial statements presented to the parliament:



The following supplementary information does not form part of the audited consolidated annual financial statements and is audited:

# GENERAL INFORMATION

| | |
|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Nature of business and principal activities** | Healthcare, research and training |
| **Board Members** | Dr Mahlane Kenneth Phalane |
| | Prof Koleka Mlisana |
| | Dr Lesley Bamford |
| | Dr Siseko Martin |
| | Mr Jonathan Mallett |
| | Mr Koena Joseph Nkoko |
| | Mr Michael Sachs |
| | Mr Nick Buick |
| | Mrs Nicolene van der Westhuizen |
| | Ms Thandi Msimango |
| | Prof Eric Buch (Chairperson) |
| | Prof Jeffrey Mphahlele (Vice Chairperson) |
| | Prof Mpho Klass Kgomo |
| | Prof Thanyani Mariba |
| | Prof Tivani Mashamba-Thompson |
| | Ms. Nyameka Macanda |
| | Dr Kamy Chetty |
| | Dr Naledzani Ramalivhana |
| **Registered office** | 1 Modderfontein Road |
| | Rietfontein Sandringham Johannesburg 2000 |
| **Postal address** | Private Bag X 8 |
| | Johannesburg 2131 |
| **Bankers** | First National Bank Ltd |
| | Investec |
| | Nedbank Ltd |
| | Rand Merchant Bank |
| **Auditors** | Nexia SAB&T |
| **Website** | www.nhls.ac.za |
| **Practice number** | PR5200296 |
| **Legislation governing NHLS operations** | The National Health Laboratory Service (NHLS) Act, no 37 of 2000<br>The Public Finance Management (PFMA)Act, no. 1 of 1999<br>The National Health Act, No. 61 of 2003 |
| **Published** | 6 December 2024 |

# ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the consolidated annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements and were given unrestricted access to all financial records and related data.

The consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The consolidated annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Authority acknowledges that they are ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing, and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems, and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Authority has reviewed the economic entity's cash flow forecast for the year to 31 March 2025 and, in the light of this review and the current financial position, they are satisfied that the economic entity will have or has access to adequate resources to continue in operational existence for the foreseeable future.

The consolidated annual financial statements are prepared on the basis that the entity is a going concern and that the entity and its controlled entity have neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the accounting authority is primarily responsible for the financial affairs of the entity, they are supported by the economic entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the economic entity's consolidated annual financial statements. The consolidated annual financial statements have been examined by the economic entity's external auditors and their report is presented on pages 157-170.

The consolidated annual financial statements set out on pages 171-237 , which have been prepared on a going concern basis, were approved by the accounting authority on 6 December 2024 and were signed on its behalf by:

**Prof Jeffrey Mphahlele**
**Chairperson: Accounting Authority**
**Date: 6 December 2024**

**Prof Koleka Mlisana**
**Chief Executive Officer**
**Date: 6 December 2024**

National Health Laboratory Service
**INDEPENDENT AUDITOR'S REPORT**
for the year ended 31 March 2024

# INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON THE NATIONAL HEALTH LABORATORY SERVICE

## Report on the audit of the consolidated and separate financial statements

### Qualified opinion

1. We have audited the consolidated and separate financial statements of the National Health Laboratory Service and its subsidiary (the economic entity and controlling entity) set out on pages 171 to 237, which comprise the consolidated and separate statement of financial position as at 31 March 2024, consolidated and separate statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In our opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the National Health Laboratory Service and its subsidiary as at 31 March 2024, and their financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

### Basis for qualified opinion

#### Receivables from exchange transactions

3. Trade receivables from exchange transactions were not recognised in accordance with GRAP 104, *Financial instruments* as the public entity recognised trade debtors without sufficient evidence to confirm that the amounts were owed to the public entity. In addition, the allowance for impairment on trade debtors was not calculated in accordance with GRAP 104, *Financial instruments*, as the public entity applied incorrect inputs and unsupported assumptions to calculate the allowance for impairment. We were unable to determine the possible misstatement amount of in trade receivables from exchange transactions and the allowance for impairment on trade receivables from exchange transactions, as it was impracticable to do so. Consequently, we were unable to determine whether any adjustment was necessary to receivables from exchange transactions, stated at R3.7 billion in notes 4 and 34 to the consolidated and separate financial statements, and to debt impairment provision, stated at R949 million and R959 million in note 5 to the consolidated and separate financial statements, respectively.

#### Receivables from non-exchange transaction

4. Receivables from non-exchange transactions were not recognised in accordance with GRAP 104, *Financial instruments*, as the public entity recognised receivables from non-exchange transactions without sufficient evidence to confirm that the amounts were owed to the public entity. In addition, the allowance for impairment on receivables from non-exchange transactions was not calculated in accordance with GRAP 104, Financial instruments, as the public entity applied incorrect inputs and unsupported assumptions to calculate the allowance for impairment. We were unable to determine the possible misstatement amount of receivables from non-exchange transactions and the allowance for impairment on receivables from non-exchange transactions, as it was impracticable to do so. Consequently, we were unable to determine whether any adjustment was necessary to receivables from non-exchange transactions, stated at R288 million in notes 6 and 34 to the consolidated and separate financial statements.

National Health Laboratory Service

## INDEPENDENT AUDITOR'S REPORT

for the year ended 31 March 2024

### Property, plant and equipment

5. The public entity did not recognise all items of property, plant, and equipment in accordance with GRAP 17, *Property, plant and equipment*. Additions to property, plant, and equipment were recorded at incorrect values and some items of property, plant and equipment were incorrectly recognised as expenditure. In addition, some assets could not be traced to the asset register. Consequently, the property, plant and equipment balance was understated by R459 million, and operating expenditure was overstated by R195 million in the consolidated and separate financial statements. Additionally, there was an impact on the surplus for the period and on the accumulated surplus in the consolidated and separate financial statements.

6. The residual values and useful lives of property, plant and equipment were not reviewed at each reporting date in accordance with GRAP 17, *Property, plant and equipment*. Additionally, assets identified to be in poor condition were not impaired in accordance with GRAP 21, *Impairment of non-cash generating assets*. We were unable to determine the impact on the net carrying amount of property, plant and equipment, as it was impracticable to do so.

7. We were unable to obtain sufficient appropriate audit evidence for property, plant and equipment due to the asset register not being adequately maintained and updated. We were unable to confirm this by alternative means. Consequently, we were unable to determine whether any further adjustments were necessary to property plant and equipment stated at R1.5 billion in note 9 to the consolidated and separate financial statements.

### Payables from exchange transactions

8. We were unable to obtain sufficient appropriate audit evidence that payables from exchange transactions were properly accounted for as transactions were duplicated, recorded at incorrect amounts and recorded in the incorrect financial period. In addition, transactions were incorrectly classified between payables and accruals in note 15 to the financial statements. As a result, payables from exchange transactions were understated by R161 million in the consolidated and separate financial statements. Additionally, there was an impact on the surplus for the period and on the accumulated surplus million in the consolidated and separate financial statements.

9. As described in note 46 to the financial statements, payables from exchange transactions were incorrectly classified as payables from non-exchange transactions in the prior year and a restatement was made to rectify the prior year misstatement. However, the restatement was processed at the incorrect amount. As a result, the corresponding amount for payables from exchange transactions as disclosed in note 15 to the financial statements was understated by R129 million and the corresponding amount for payables from non-exchange transactions as disclosed in note 20 to the consolidated and separate financial statements was overstated by R129 million. In addition, the amounts disclosed in note 39 to the consolidated and separate financial statements were misstated by the same amounts.

### Revenue

10. Revenue from non-exchange transactions was not recognised in accordance with GRAP 23, *Revenue from Non-exchange Transactions (Taxes and Transfers)*. The public entity did not recognise services received in-kind by the public entity from various Departments of Health relating to the laboratory accommodation as revenue. We were unable to determine the full extent of the understatement of revenue stated at R12.3 billion as disclosed in note 21 to the consolidated and separate financial statements, as it was impracticable to do so.

National Health Laboratory Service
**INDEPENDENT AUDITOR'S REPORT**
for the year ended 31 March 2024

### Commitments

11. The public entity did not recognise all commitments, as required by GRAP 13, Leases, GRAP 17, *Property, plant and equipment* and GRAP 31, *Intangible Assets*. Not all commitments at year-end were accounted for and some commitments were recorded at incorrect amounts. As a result, commitments were understated by R4.9 billion in the consolidated and separate financial statements.

## Context for opinion

12. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

13. We are independent of the public entity in accordance with the *Code of Professional Conduct for Auditors* of the Independent Regulatory Board for Auditors (IRBA) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

14. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## Emphasis of matters

15. We draw attention to the matters below. Our opinion is not modified in respect of these matters.

### Restatement of corresponding figures

16. As disclosed in note 46 to the consolidated and separate financial statements, the corresponding figures for 31 March 2023 were restated as a result of an error identified in the consolidated and separate financial statements of the public entity at, and for the year ended, 31 March 2024.

### Irregular expenditure

17. As disclosed in note 40 to the consolidated and separate financial statements, irregular expenditure of R518 million (2023: 705 million) was incurred, as a result of non-compliance with various SCM prescripts.

### Material allowance for impairment

18. As disclosed in note 4 to the consolidated and separate financial statements, a material allowance for impairment of R4.9 billion million (2023: R3.9 billion) was recorded against receivables from exchange transactions as a result of irrecoverable debt.

## Other matter

19. We draw attention to the matter below. Our opinion is not modified in respect of this matter.

### Unaudited supplementary information

20. The supplementary information set out on pages 238 to 240 does not form part of the financial statements and is presented as additional information. We have not audited this schedule, and, accordingly, we do not express an opinion on it.

National Health Laboratory Service
**INDEPENDENT AUDITOR'S REPORT**
for the year ended 31 March 2024

### Responsibilities of accounting authority for the consolidated and separate financial statements

21. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

22. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern, and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations or has no realistic alternative but to do so.

### Responsibilities of the auditor for the audit of the consolidated and separate financial statements

23. Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

24. A further description of our responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

25. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

26. We selected the following programmes presented in the annual performance report for the year ended 31 March 2024 for auditing. We selected programmes that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

| Programme | Page numbers | Purpose |
|---|---|---|
| **Laboratory Service** | 39-41 | This programme represents the NHLS' core business, which is to provide cost-effective and efficient health laboratory services to all public sector healthcare providers, any other government institution within and outside South Africa that may require such services, and any private healthcare provider that requests such services, as mandated by the NHLS Act. The NHLS must provide equitable, comprehensive, high-quality, timely and cost-effective pathology services that will improve patient care. |

National Health Laboratory Service

## INDEPENDENT AUDITOR'S REPORT

for the year ended 31 March 2024

| Programme | Page numbers | Purpose |
|---|---|---|
| **Forensic Chemistry Laboratory Service** | 50-52 | This programme is responsible for pre-and post-mortem analyses of blood alcohol levels for drunk driving, as well as toxicology analyses of biological fluids and human organs in the event of unnatural deaths like murder and suicide, in accordance with the Criminal Procedure Act, and in accordance with the Foodstuffs Act for food and cosmetic analyses. |

27. We evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

28. We performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives.
- all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included.
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that we can confirm the methods and processes to be used for measuring achievements.
- the targets can be linked directly to the achievement of the indicators and are specific, time-bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance, as well as how performance will be evaluated.
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents.
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over or under achievement of targets.

29. We performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

30. The material findings on the performance information of the selected programmes are as follows:

National Health Laboratory Service

**INDEPENDENT AUDITOR'S REPORT**

for the year ended 31 March 2024

## Laboratory Service

### Various indicators

31. Under achievements were reported against the related planned targets together with the reasons for this. However, adequate supporting evidence was not provided for auditing. Consequently, I could not confirm the reliability of the reported reasons.

| Indicator | Target | Reported achievement | Reported reasons |
|---|---|---|---|
| Percentage of CD4 tests performed within 40 hours | 95% | 94% | Ageing equipment and frequent instrument breakdowns.<br>The transition from old to new high-tech instruments resulted in delays in processing specimens. |
| Percentage of HIV viral load tests performed within 96 hours | 94% | 93% | Frequent instrument breakdown. Shortage of reagents.<br>Transition from old equipment to new high-tech equipment resulted in delays in processing specimens.<br>Delay in referral of specimens to testing laboratories |
| Percentage of laboratory tests (urea and electrolytes) performed within eight hours | 95% | 90% | Network downtime.<br>Loadshedding.<br>Delay in referral of tests to testing sites.<br>Aging laboratory equipment. |

## Forensic Chemistry Laboratory Service

### Various indicators

32. We could not determine if the reported achievements of the following indicators and targets were correct, as the data that supports the reported performance could not be relied on due to the deficiencies in the system. We could not perform alternative procedures.

| Indicator | Target | Reported achievement |
|---|---|---|
| Percentage of blood alcohol tests completed within a normative period of 90 days | 75% | 82% |
| Percentage reduction of backlogged toxicology cases | 40% | 7% |
| Percentage of perishable food samples tested within 30 days of sampling | 75% | 75% |
| Percentage of non-perishable food samples tested within 60 days of sampling | 75% | 48% |

National Health Laboratory Service
**INDEPENDENT AUDITOR'S REPORT**
for the year ended 31 March 2024

### New toxicology cases completed within a target period

33. In terms of the National Health Laboratory Service Act 37 of 2000, the public entity is responsible for forensic chemistry laboratory services. However, an indicator to measure performance on this responsibility was omitted from the approved planning documents. The monitoring and evaluation unit indicated that the reason for the omission was an oversight. Consequently, the achievement of this legislative mandate was not planned or accounted for, which is likely to result in it not being delivered and undermines transparency and accountability for delivery on the mandate.

## Other matters

34. We draw attention to the matters below.

### Achievement of planned targets

35. The annual performance report includes information on reported achievements against planned targets and provides explanations for over and under achievements. This information should be considered in the context of the material findings on the reported performance information.

### Material misstatements

36. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Laboratory Service and Forensic Chemistry Laboratory service programmes. Management did not correct all of the misstatements, and we reported material findings in this regard.

# Report on compliance with legislation

37. In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with applicable legislation relating to financial matters, financial management, and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

38. We performed procedures to test compliance with selected requirements in key legislation in accordance with the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, we do not express an assurance opinion or conclusion.

39. Through an established AGSA process, we selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

40. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### Expenditure management

41. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 40 to the annual financial statements, as required by Section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure incurred was caused by non-compliance with laws and regulations governing procurement and contract management.

National Health Laboratory Service

## INDEPENDENT AUDITOR'S REPORT

for the year ended 31 March 2024

### Annual financial statements and annual reports

42. Financial statements were not submitted for auditing within the prescribed period after the end of the financial year, as required by Section 55(1)(c)(i) of the PFMA.

43. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by Section 55(1) (a) and (b) of the PFMA.

44. Material misstatements identified by the auditors in the submitted financial statements were not corrected as adequate controls were not in place to ensure complete and appropriate corrections and the supporting records could not be provided, which resulted in the financial statements receiving a qualified opinion.

### Revenue management

45. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

### Consequences management

46. We were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.

### Procurement and contract management

47. Some of the goods and services were procured without obtaining at least three written price quotations in accordance with Treasury Regulation 16A6.1 and paragraph 3.2.1 of SCM instruction note 2 of 2021-2022.

48. Some of the quotations were accepted from prospective suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by Treasury Regulation 16A8.4 and Par 7.2 of National Treasury Instruction-NTI 03 of 2021-2022.

49. Some of the quotations were not awarded in an economical manner and the prices of the goods or services were not reasonable as required by PFMA 57(b).

50. Some of the quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulation 16A9.1(d).

51. The goods and services of a transaction value above R1 000 000 were procured without inviting competitive bids and deviations were not approved by the accounting authority, as required by Treasury Regulation 16A6.1, paragraph 3.3.1 of NTI 02 of 2021/22, paragraph 4.1 of NTI 03 of 2021/22 and TR 16A6.4.

52. Some of the contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed to comply with Treasury Regulation 16A8.3.

53. Some of the contracts were awarded to bidders based on evaluation/adjudication criteria that differed from those stipulated in the original invitation for bidding and quotations as required by Treasury Regulation 16A6.3(a) and (b).

54. Some of the contracts were not awarded in an economical manner and/or the prices of the goods or services were not reasonable as required by PFMA 57(b).

55. Some of the contracts and quotations were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the PPPFA and Preferential Procurement Regulation 2017 and 2022.

56. Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of PPPFA and Preferential Procurement Regulation 2017 and 2022.

57. Some of the contracts and quotations were awarded to bidders based on functionality criteria that were not stipulated in the original invitation for bidding and quotations, as required by the 2022 Preferential Procurement Regulation 5(1) and (3).

58. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the CIDB Act and Construction Industry Development Board Regulations 17 and 25(7A).

59. The contracts were extended or modified without the approval of a properly delegated official as required by section 56 of the PFMA and Treasury Regulations 8.2.1 and 8.2.2.

60. The persons in service of the public entity who had a private or business interest in contracts awarded by the public entity failed to disclose such interest, as required by Treasury Regulation 16A8.4. The persons in service of the public entity whose close family members, partners, or associates had a private or business interest in contracts awarded by the public entity failed to disclose such interest, as required by Treasury Regulation 16A8.4.

## Other information in the annual report

61. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report, and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

62. Our opinion on the financial statements and our findings on the reported performance information and the report on compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion on it.

63. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

64. We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected, this will not be necessary.

## Internal control deficiencies

65. We considered internal control relevant to our audit of the consolidated and separate financial statements, the annual performance report and compliance with applicable legislation; however, our objective was not to express any form of assurance on it.

66. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report, and the material findings on compliance with legislation included in this report.

67. Management did not implement adequate internal controls to ensure the preparation of accurate financial statements, as numerous material misstatements were identified that resulted in the modification of the auditor's opinion.

68. Management did not exercise oversight responsibility to ensure that the financial information in the annual financial statements is accurate and supported by reliable information.

69. Management did not adequately implement controls over daily and monthly processing and reconciling of transactions.

70. Management did not adequately review and monitor compliance with applicable laws and regulations; as a result, there were material non-compliances identified during the audit that were also reported in the prior years.

71. The entity developed a plan to address internal and external audit findings, however not all issues have been addressed. The slow response from management in tracking measures to address internal root causes, as well as the enforcement of accounting for slow progress, had an impact on the audit opinion.

72. Management did not adequately review the listing supporting reported achievements, did not perform reconciliations between reporting systems, and failed to verify the accuracy and completeness of the listings, which resulted in reported information not being reliable.

73. Adequate IT system controls and IT back-ups were not implemented in a timely manner, leading to cyber-attacks that impacted the entity's ability to produce credible financial statements and annual performance information.

74. The accounting authority did not ensure there was a duly delegated person to perform the assessment, determination and investigation for irregular and fruitless and wasteful expenditure as required by Instruction note No. 4 of 2022/2023: PFMA Compliance and Reporting.

75. The accounting authority did not ensure that there is a policy in place that is clear in terms of assessment, determination and investigation process for irregular, fruitless and wasteful expenditure to be able to implement and monitor compliance with the National Treasury Instruction Note and PFMA.

76. Management did not ensure that controls around the compilation and updating of the fixed assets register were implemented. The assets controller did not update the register monthly in accordance with the internal process, and there was no evidence of timely reviews.

77. Management did not ensure timely preparation of financial statements to allow adequate reviews against the GRAP requirements to ensure that the recognition and disclosure requirements were met and required adjustments before financial statements were signed off and submitted for audit.

78. There was inadequate communication and information sharing between divisions. Specifically, the laboratory employees working under this partnership and account receivables management.

79. Management did not prepare regular, accurate, and complete financial and performance reports that are supported and evidenced by reliable information.

80. The public entity had inadequate knowledge of Construction Industry Development Board-CIDB regulations, weak procurement planning, insufficient due diligence, and a lack of robust internal controls and oversight.

81. Insufficient monitoring allowed deviations from evaluation criteria, such as the omission of functionality assessments, to go unnoticed. Additionally, a lack of training and knowledge among procurement officials led to errors in applying procurement policies and evaluating bidder qualifications.

82. Structural inefficiencies in competitive bids, including outdated procurement processes and fragmented systems, were identified. The absence of standardised guidelines and review mechanisms created inconsistencies in scoring and decision-making, while reliance on bidder-provided information without proper verification exposed the procurement process to risks.

83. Incorrect evaluation criteria, premature awarding of contracts, inaccurate B-BBEE point calculations, and unapproved deviations from procurement regulations undermined transparency, fairness, and accountability.

84. Poor inventory planning and control mechanisms highlighted gaps in risk management and accountability. Furthermore, procurement deficiencies included awarding contracts at significantly higher prices than competing bids, raising concerns about transparency and cost-effectiveness. These issues reflect a lack of adherence to PFMA requirements for economical and efficient resource use.

85. The lack of adequate procedures in the NHLS Supply Chain Management (SCM) policy has led to instances where contracts were extended or renewed without proper approvals, supporting documentation, or signed agreements with suppliers. Additionally, issues such as missing bidder declarations of interest, unapproved deviations, and a failure to monitor contract performance further undermine compliance with the Public Finance Management Act (PFMA).

86. The NHLS faced significant governance and compliance challenges regarding deviations from standard procurement practices. Contrary to PFMA guidelines, deviations and extensions were not properly approved by the Accounting Authority. Emergency procurement was not appropriately justified, as some situations arose from poor planning rather than unforeseen circumstances.

87. The system used for reporting the performance information is not configured to avoid data manipulation, resulting in unreliable reported performance information.

## Other reports

88. We draw attention to the following engagements conducted by various parties. These reports did not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation.

89. The Special Investigations Unit investigated allegations of possible procurement and contract management irregularities, at the request of the President of the Republic of South Africa (Proclamation No R.18 of 2019), covering the period 2015 to 2017. The investigation concluded on 6 February 2024 and resulted in criminal proceedings against the employee. These proceedings were finalised, and the employee was found guilty.

90. The Directorate for Priority Crime Investigation ("The Hawks") investigated allegations of the possible procurement and contract management irregularities. The officials involved went through an internal investigation, and consequence management was followed, in dismissing the employees. After investigations, the matter was taken for further prosecution to the magistrate court. These proceedings were in progress at the date of this auditor's report.

## Auditor tenure

91. In terms of the IRBA rule published in Government Gazette No. 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of the National Health Laboratory Service for five years.

**Nexia SAB&T**
**Niren Coomar Soopal**
**Director**
**Registered Auditor**
**10 December 2024**
**119 Witch Hazel Avenue, Highveld Technopark Centurion, 0146**

National Health Laboratory Service
**INDEPENDENT AUDITOR'S REPORT**
for the year ended 31 March 2024

# Annexure to the auditor's report

The annexure includes the following:

- the auditor's responsibility for the audit
- the selected legislative requirements for compliance testing.

## Auditor's responsibility for the audit

### Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with selected requirements in key legislation.

## Financial statements

In addition to our responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, we also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify our opinion on the consolidated and separate financial statements. Our conclusions are based on the information available to us at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern.
- evaluate the overall presentation, structure, and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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**INDEPENDENT AUDITOR'S REPORT**
for the year ended 31 March 2024

## Communication with those charged with governance

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

| Legislation | Sections or regulations |
|---|---|
| Public Finance Management Act 1 of 1999 | Section 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4)<br>Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b)<br>Section 55(1)(c)(i); 56(1); 57(b); 66(3)(c) |
| Treasury Regulations, 2005 | Regulation 8.2.1; 8.2.2; 16A3.2; 16A3.2(a)<br>Regulation 16A6.1; 16A6.2(a); 16A6.2(b)<br>Regulation 16A6.3(a); 16A6.3(a)<br>Regulation 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5<br>Regulation 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6<br>Regulation 16A.7.7; 16A8.3; 16A8.4; 16A9.1(b)(ii)<br>Regulation 16A 9.1(d); 16A9.1(e); 16A9.1(f)<br>Regulation 16A9.2(a)(ii); 30.1.1; 30.1.3(a)<br>Regulation 30.1.3(b); 30.1.3(d); 30.2.1; 31.2.1<br>Regulation 31.2.5; 31.2.7(a); 32.1.1(a); 32.1.1(b)<br>Regulation 32.1.1(c); 33.1.1; 33.1.3 |
| Construction Industry Development Board Act 38 of 2000 | Section 18(1) |
| Construction Industry Development Board Regulations, 2004 | Regulation 17; 25(7A) |
| Second amendment National Treasury Instruction No. 5 of 202/21 | Paragraph 1 |
| Erratum National Treasury Instruction No. 5 of 202/21 | Paragraph 2 |
| National Treasury instruction No 5 of 2020/21 | Paragraph 4.8; 4.9; 5.3 |
| National Instruction No. 1 of 2021/22 | Paragraph 4.1 |
| National Treasury SCM Instruction No. 4A of 2016/17 | Paragraph 6 |
| National Treasury SCM Instruction No. 03 of 2021/22 | Paragraph 4.1; 4.2(b); 4.4; 4.17; 7.2 |

National Health Laboratory Service

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| Legislation | Sections or regulations |
|---|---|
| National Treasury SCM Instruction No. 11 of 2020/21 | Paragraph 3.4(a); 3.4(b); 3.9 |
| National Treasury SCM Instruction No. 2 of 2021/22 | Paragraph 3.2.1; 3.2.4; 3.3.1 |
| Practice Note 11 of 2008/9 | Paragraph 2.1; 3.1 (b) |
| Practice Note 5 of 2009/10 | Paragraph 3.3 |
| Practice Note 7 of 2009/10 | Paragraph 4.1.2 |
| Preferential Procurement Policy Framework Act 5 of 2000 | Section 1; 2.1(a); 2.1(f) |
| Preferential Procurement Regulations, 2022 | Regulation 4.4; 5.4 |
| Preferential Procurement Regulations, 2017 | Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.8; 7.8<br>Regulation 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1 |
| Prevention and Combating of Corrupt Activities Act 12 of 2004 | Section 34(1) |

| | Note (s) | Economic entity | | Controlling entity | |
|---|---|---|---|---|---|
| | | 2024 | 2023 RESTATED* | 2024 | 2023 RESTATED* |
| | | R'000 | R'000 | R'000 | R'000 |
| **Assets** | | | | | |
| **Current Assets** | | | | | |
| Inventories | 3 | 560 598 | 597 701 | 555 164 | 590 197 |
| Receivables from exchange transactions | 4 | 3 712 189 | 3 152 029 | 3 709 713 | 3 150 940 |
| Receivables from non-exchange transactions | 6 | 288 040 | 167 812 | 288 040 | 167 812 |
| VAT receivable | 7 | 274 | 357 | - | - |
| Cash and cash equivalents | 8 | 5 711 261 | 5 139 368 | 5 701 992 | 5 130 636 |
| | | **10 272 362** | **9 057 267** | **10 254 909** | **9 039 585** |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 9 | 1 538 751 | 1 443 480 | 1 536 653 | 1 441 471 |
| Living resources | 10 | 109 | 107 | - | - |
| Intangible assets | 11 | 10 320 | 11 313 | 10 320 | 11 313 |
| Deferred tax | 12 | 2 418 | 5 071 | - | - |
| Loans to economic entities | 13 | - | 7 | - | - |
| | | **1 551 598** | **1 459 978** | **1 546 973** | **1 452 784** |
| **Total Assets** | | **11 823 960** | **10 517 245** | **11 801 882** | **10 492 369** |
| **Liabilities** | | | | | |
| **Current Liabilities** | | | | | |
| Post retirement medical benefit plan | 14 | 12 616 | 40 985 | 12 616 | 40 985 |
| Payables from exchange transactions | 15 | 1 055 196 | 1 135 161 | 1 054 405 | 1 127 775 |
| Unspent conditional grants and receipts | 16 | 126 783 | 129 093 | 126 783 | 129 093 |
| Provisions | 17 | 135 879 | 138 752 | 135 879 | 138 752 |
| Employee benefit obligation | 18 | 370 101 | 337 799 | 370 101 | 337 799 |
| Current tax payable | 19 | 2 849 | 2 026 | - | - |
| Payables from non-exchange transactions | 20 | 15 057 | 138 113 | 15 057 | 138 113 |
| | | **1 718 480** | **1 921 929** | **1 714 841** | **1 912 517** |
| **Non-Current Liabilities** | | | | | |
| Loans from economic entities | 13 | - | 7 | - | - |
| Post retirement medical benefit plan | 14 | 913 137 | 836 793 | 913 137 | 836 793 |
| | | **913 137** | **836 800** | **913 137** | **836 793** |
| **Total Liabilities** | | **2 631 617** | **2 758 729** | **2 627 978** | **2 749 310** |
| **Net Assets** | | **9 192 343** | **7 758 516** | **9 173 904** | **7 743 059** |
| Reserves revaluation reserve | 47 | 582 205 | 654 919 | 582 205 | 654 919 |
| Accumulated surplus | | 8 610 130 | 7 103 597 | 8 591 699 | 7 088 140 |
| **Total Net Assets** | | **9 192 343** | **7 758 516** | **9 173 904** | **7 743 059** |

* See Note 46

| | Note (s) | Economic entity | | Controlling entity | |
|---|---|---|---|---|---|
| | | 2024 | 2023 RESTATED* | 2024 | 2023 RESTATED* |
| | | R'000 | R'000 | R'000 | R'000 |
| Revenue | *21* | 12 387 196 | 12 223 039 | 12 362 333 | 12 211 060 |
| Cost of sales | *25* | (9 159 399) | (9 152 372) | (9 135 856) | (9 131 844) |
| **Gross surplus** | | **3 227 797** | **3 070 667** | **3 226 477** | **3 079 216** |
| Other income | *22* | 118 006 | 128 516 | 117 991 | 128 516 |
| Operating expenses | | (2 443 942) | (406 655) | (2 448 424) | (412 148) |
| **Operating surplus** | *24* | **901 861** | **2 792 528** | **896 044** | **2 795 584** |
| Interest Income | *23* | 608 378 | 384 878 | 607 516 | 384 246 |
| Fair value adjustments | *26* | (99) | - | - | - |
| Interest expense | *26* | - | (118) | - | (118) |
| **Surplus before taxation** | | **1 510 140** | **3 177 288** | **1 503 560** | **3 179 712** |
| Taxation | *28* | (3 600) | 2 978 | - | - |
| **Surplus for the year** | | **1 506 540** | **3 180 266** | **1 503 560** | **3 179 712** |

* See Note 46

| | Note (s) | Revaluation reserve | Accumulated surplus / deficit | Total net assets |
|---|---|---|---|---|
| | | R'000 | R'000 | R'000 |
| **Economic entity** | | | | |
| Opening balance as previously reported | | 654 919 | 3 977 165 | 4 632 084 |
| Adjustments | | | | |
| Prior period error | *46* | - | (53 834) | (53 834) |
| **Balance at 01 April 2022** | | **654 919** | **3 923 331** | **4 578 250** |
| Changes in net assets | | | | |
| Surplusfor the year | | - | 3 180 266 | 3 180 266 |
| Total changes | | - | 3 180 266 | 3 180 266 |
| **Balance at 01 April 2023** | | **654 919** | **7 103 598** | **7 758 517** |
| Changes in net assets | | | | |
| Revaluation of Land and Building | | (72 714) | - | (72 714) |
| Net income (losses) recognised directly in net assets | | (72 714) | - | (72 714) |
| Surplus for the year | | - | 1 506 540 | 1 506 540 |
| Total recognised income and expenses for the year | | (72 714) | 1 506 540 | 1 433 826 |
| Total changes | | (72 714) | 1 506 540 | 1 433 826 |
| **Balance at 31 March 2024** | | **582 205** | **8 610 138** | **9 192 343** |
| | | | | |
| **Controlling entity** | | | | |
| Opening balance as previously reported | | 654 919 | 3 962 215 | 4 617 134 |
| Adjustments | | | | |
| Prior period error | *46* | - | (53 787) | (53 787) |
| **Balance at 01 April 2022 as restated*** | | **654 919** | **3 908 428** | **4 563 347** |
| Changes in net assets | | | | |
| Surplus for the year | | - | 3 179 712 | 3 179 712 |
| Total changes | | - | 3 179 712 | 3 179 712 |
| **Balance at 01 April 2023** | | **654 919** | **7 088 139** | **7 743 058** |
| Changes in net assets | | | | |
| Revaluation of Land and Buildings | | (72 714) | - | (72 714) |
| Net income (losses) recognised directly in net assets | | (72 714) | - | (72 714) |
| Surplus for the year | | - | 1 503 560 | 1 503 560 |
| **Total recognised income and expenses for the year** | | **(72 714)** | **1 503 560** | **1 430 846** |
| **Total changes** | | **(72 714)** | **1 503 560** | **1 430 846** |
| **Balance at 31 March 2024** | | **582 205** | **8 591 699** | **9 173 904** |

| | Note (s) | Economic entity | | Controlling entity | |
|---|---|---|---|---|---|
| | | 2024 | 2023 RESTATED* | 2024 | 2023 RESTATED* |
| | | R'000 | R'000 | R'000 | R'000 |
| **Cash flows from operating activities** | | | | | |
| **Receipts** | | | | | |
| Sale of goods and services | | 11 114 472 | 10 265 413 | 11 092 243 | 10 253 939 |
| Grants | | 706 425 | 772 521 | 706 425 | 772 521 |
| Interest income | | 608 723 | 382 787 | 607 861 | 382 155 |
| | | **12 429 620** | **11 420 721** | **12 406 529** | **11 408 615** |
| **Payments** | | | | | |
| Employee costs | | (5 078 371) | (4 863 668) | (5 072 490) | (4 846 186) |
| Suppliers - Goods and services | | (6 462 603) | (4 809 822) | (6 446 272) | (4 813 577) |
| Finance costs | | - | (118) | - | (118) |
| | | (11 540 974) | (9 673 608) | (11 518 762) | (9 659 881) |
| **Net cash flows from operating activities** | *32* | **888 646** | **1 747 113** | **887 767** | **1 748 734** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | *9* | (315 899) | (89 314) | (315 572) | (89 242) |
| Purchase of other intangible assets | *11* | (839) | (1 739) | (839) | (1 739) |
| Purchase of living resources | *10* | (15) | - | - | - |
| **Net cash flows from investing activities** | | **(316 753)** | **(91 053)** | **(316 411)** | **(90 981)** |
| **Net increase/ (decrease) in cash and cash equivalents** | | 571 893 | 1 656 060 | 571 356 | 1 657 753 |
| Cash and cash equivalents at the beginning of the year | | 5 139 368 | 3 483 308 | 5 130 636 | 3 472 883 |
| **Cash and cash equivalents at the end of the year** | *8* | **5 711 261** | **5 139 368** | **5 701 992** | **5 130 636** |

The accounting policies on pages 178 to 192 and the notes on pages 193 to 238 form an integral part of the consolidated annual financial statements.

* See Note 46

**Budget on Accrual Basis**

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | |
| **Economic entity** | | | | | | |
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Sale of goods | 29 900 | - | 29 900 | 24 863 | (5 037) | |
| Rendering of services | 11 678 689 | - | **11 678 689** | 11 472 440 | **(206 249)** | *41.1* |
| Grant Income recognised | 21 223 | - | **21 223** | 15 451 | **(5 772)** | |
| Fees earned | - | - | **-** | 14 085 | **14 085** | |
| Royalties received | 1 560 | - | **1 560** | 661 | **(899)** | |
| Bad debts recovered | - | - | **-** | 1 112 | **1 112** | |
| Internal Recoveries | 25 443 | - | **25 443** | 72 431 | **46 988** | |
| Sundry Income | 201 | - | **201** | 7 322 | **7 121** | |
| Public Contributions and Donations | 5 | - | **5** | 15 | **10** | |
| Interest received - investment | 381 840 | - | **381 840** | 608 378 | **226 538** | *41.2* |
| **Total revenue from exchange transactions** | **12 138 861** | **-** | **12 138 861** | **12 216 758** | **77 897** | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Transfer revenue** | | | | | | |
| Government grants & subsidies | 855 498 | **-** | 855 498 | **706 425** | **(149 073)** | *41.3* |
| Grant Recognised income | - | - | **-** | **183 468** | **183 468** | *41.7* |
| **Total revenue from non-exchange transactions** | **855 498** | **-** | **855 498** | **889 893** | **34 395** | |
| **Total revenue** | **12 994 359** | **-** | **12 994 359** | **13 106 651** | **112 292** | |

**Budget on Accrual Basis**

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | |
| **Expenditure** | | | | | | |
| Personnel | (5 374 910) | - | **(5 374 910)** | (5 160 788) | **214 122** | *41.4* |
| Depreciation and amortisation | (301 981) | - | **(301 981)** | (143 358) | **158 623** | 41.8 |
| Finance costs | (525) | - | **(525)** | - | **525** | |
| Lease rentals on operating lease | (49 906) | - | **(49 906)** | (50 439) | **(533)** | |
| Debt Impairment | (133 623) | - | **(133 623)** | (949 544) | **(815 921)** | 41.5 |
| General Expenses | (7 092 200) | - | **(7 092 200)** | (5 294 386) | **1 797 814** | 41.6 |
| **Total expenditure** | **(12 953 145)** | **-** | **(12 953 145)** | **(11 598 515)** | **1 354 630** | |
| **Operating surplus** | **41 214** | **-** | **41 214** | **1 508 136** | **1 466 922** | |
| Loss on disposal of assets and liabilities | - | - | **-** | (4 826) | **(4 826)** | |
| Gain on foreign exchange | - | - | **-** | 6 929 | **6 929** | |
| - | - | | | | | |
| Fair value adjustments | - | - | **-** | (99) | **(99)** | |
| | - | - | **-** | 2 004 | **2 004** | |
| **Surplus before taxation** | **41 214** | **-** | **41 214** | **1 510 140** | **1 468 926** | |
| Taxation | - | - | **-** | 3 600 | **3 600** | |
| **Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement** | **41 214** | **-** | **41 214** | **1 506 540** | **1 465 326** | |

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# 1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance and are in compliance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91 (1) of the Public Finance Management Act (Act 1 of 1999).

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement. The Economic Entity is the consolidation of the NHLS (Controlling Entity) and the subsidiary, which is the Controlled Entity ,South African Vaccine Products (SAVP).

A summary of the significant accounting policies that have been consistently applied in the preparation of these consolidated annual financial statements, is disclosed below.

These accounting policies are consistent with the previous year.

## 1.1. Presentation currency

These consolidated annual financial statements are presented in South African Rands, which is the functional currency of the economic entity, and all values are rounded to the nearest thousand (R000), except when otherwise indicated.

## 1.2. Going concern assumption

These consolidated annual financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months.

## 1.3. Consolidation

**Basis of consolidation**

Consolidated annual financial statements are the consolidated annual financial statements of the economic entity presented as those of a single entity.

The consolidated annual financial statements incorporate the consolidated annual financial statements of the controlling entity and it's controlled entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The consolidated annual financial statements of the controlling entity and its controlled entity used in the preparation of the consolidated annual financial statements are prepared as of the same date.

Adjustments are made when necessary to the consolidated annual financial statements of the controlled entity to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues, and expenses are eliminated in full on consolidation.

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## 1.4. Key assumptions and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the consolidated annual financial statements. Estimates include:

### Allowance for impairment

In determining whether an impairment loss should be recorded in surplus or deficit, the economic entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The following is taken into consideration when NHLS calculates the impairment for trade and other receivables: i) the total debtors balance outstanding over a period of three financial years; ii) the total billing performed by the NHLS during this three year financial period; iii) the total funds received from these NHLS customers over the three year financial period; iv) the payment trend for these customers over a period of time; v) a CPI- linked interest rate over the period.

Using the factors above the NHLS adjusts its debtors balance from exchange transactions accordingly.

Additional disclosures and balances are included in notes number 4 (receivables from exchange transactions), 5 (debt impairment) and 6 (receivables from non-exchange transactions).

### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 17 - Provisions.

### Useful lives of property, plant and equipment

The economic entity's management determines the estimated useful lives and related depreciation charges for property, plant, and equipment. This estimate is based on industry norm and the input from the end users. Refer to table in accounting policy paragraph 1.5 Property, plant and equipment.

### Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, healthcare cost inflation, expected retirement age and withdrawal rate. Any changes in these assumptions will impact the carrying amount of post-retirement obligations.

An actuarial valuation determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related medical liability.

Other key assumptions for medical obligations are based on current market conditions. Post -retirement benefits are affected by actuarial assumptions. The carrying amounts and further information on the key assumptions applied as well as sensitivity analysis are included in Note 14.

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## 1.5. Property, plant and equipment

Property plant and equipment of the economic entity comprises of buildings, laboratory equipment, lab buildings, plant and machinery, furniture and fixtures, motor vehicles, office equipment, computer equipment, leasehold property, mobile units, and buildings – air systems.

Lab buildings are improvements made by NHLS to labs in various hospitals that have been capitalised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The economic entity has a policy to capitalise assets that have value equal to or greater than R5 000, effective from November 2013.

Property, plant and equipment are subsequently carried at cost less accumulated depreciation and any impairment losses with the exception of land and buildings. Buildings are recognised at the revalued amount, which corresponds to the fair value at the time of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land is not depreciated but recognised at revalued amount less accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation reserve.

Any decrease in an asset's carrying amount, as a result of a revaluation is debited directly to a revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve in net assets related to a specific item of property, plant and equipment is transferred directly to retained accumulated surplus when the asset is derecognised.

Property, plant, and equipment are depreciated on a straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | *Average useful life |
|---|---|---|
| Buildings | Straight line | 30 – 52 years |
| Laboratory equipment | Straight line | 4 – 10 years |
| Plant and machinery | Straight line | 5 years |
| Furniture and fixtures | Straight line | 10 – 20 years |
| Motor vehicles | Straight line | 5 years |
| Office equipment | Straight line | 3 – 10 years |
| Computer equipment | Straight line | 3 – 5 years |
| Mobile units | Straight line | 6 – 10 years |
| Buildings - air systems | Straight line | 5 years |
| Lab buildings | Straight line | 5 – 8 years |

* The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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The NHLS conducts an assessment of useful lives of all asset classes that have reached the end of the initial pre-defined useful lives. At this point, if an asset is still deemed to be capable of providing future economic benefit to the entity by the custodian of the asset within the entity, then the useful life is adjusted accordingly and depreciated as such going forward.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the economic entity. The depreciation method applied to an asset is reviewed at least at each reporting date, and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

## 1.6. Living Resources

Living resources are initially recognised at fair value. The fair value of livestock is determined based on market prices of livestock of similar breed, and genetic merit. Living resources are carried at cost less accumulated depreciation. The sheep blood is used in the preparation of sterile sheep bags sold to laboratories. The horses are used to produce antivenom as well as for the preparation of sterile horse blood bags sold to laboratories.

A living resource is derecognised when the sheep or horses die and therefore no longer available for use in the production of antivenom or for sale of sterile. The useful lives of living resources have been assessed as follows:

| Item | Useful lives (in years) |
|---|---|
| Sheep | 10 |
| Horses | 15 |

## 1.7. Intangible assets

Intangible assets for the controlling entity comprise of patents and computer software.

The economic entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

| Item | Depreciation method | Average useful life |
|---|---|---|
| Acquired Patents | Straight line | 20 years |
| Acquired Computer software | Straight line | 5 – 10 years |

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Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

## 1.8. Financial instruments

### Classification

The economic entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|---|---|
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Cash and Cash Equivalents | Financial asset measured at amortised cost |

The economic entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|---|---|
| Payables from exchange transactions | Financial liability measured at amortised cost |

### Initial recognition

The entity recognises a financial asset or a financial liability in the statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting. This is the date at which an agreement has been entered, instead of the date the transaction has been finalised.

### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost are subject to an impairment review.

### Gains and losses

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

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### Impairment and un-collectability of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced using an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

### Derecognition

### Financial assets

The economic entity derecognises financial assets using trade date accounting.

The economic entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled, or waived;
- the economic entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the economic entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party, and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, economic entity:
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

### Financial liabilities

The economic entity removes a financial liability (or a part of a financial liability) from the statement of financial position when it is extinguished — i.e., when the obligation specified in the contract is discharged, cancelled, expires, or waived.

### Loans from economic entities

These include loans to and from controlling entities, and controlled entity, which are recognised initially at fair value plus direct transaction costs.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

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### Receivable from exchange and non-exchange transactions

Trade receivables are initially measured at fair value plus or minus transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for debt for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

### Payables from exchange transactions

Trade payables are initially measured at fair value added to or subtracted from transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

### Cash and cash equivalents.

Cash and cash equivalents comprise cash on hand, demand deposits, and deposits. These are initially measured at fair value and subsequently recognised at amortised cost.

### Other financial liabilities

Financial liabilities are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

## 1.9. Tax

### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

### Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction and affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable surplus will be available against which the unused tax losses.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

**Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

## 1.10. Inventories

Inventories comprise of raw materials, work in progress, finished goods, and consumable stores. These are initially measured at cost. Subsequently, inventories are measured at the lower of cost and net realisable value.

The cost of inventories comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

## 1.11. Impairment of cash-generating assets

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets are as follows:

**Designation**

At initial recognition, the economic entity designates an asset as non-cash-generating or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an economic entity's objective of using the asset.

The economic entity designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return, such that
- the asset or cash-generating unit will generate positive cash flows from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery is designated either as a cash-generating asset or non-cash-generating asset based on whether the economic entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the economic entity designates the asset as a non-cash-generating asset and applies the accounting policy on impairment of non-cash-generating assets rather than this accounting policy.

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### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset.

### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal, and the economic entity applies the appropriate discount rate to those future cash flows.

### Basis for estimates of future cash flows

In measuring value use the economic entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence,
- base cash flow projections on the most recent approved financial budgets but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets cover a maximum period of five years, and
- estimate cash flow projections beyond the period covered by the most recent budgets by extrapolating the projections based on the budgets using a steady growth rate for subsequent years. This growth rate does not exceed the long-term average growth rate for the products, industries in which the NHLS operates, or the market in which the asset is used.

### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the economic entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

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### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the economic entity uses management's best estimate of future price (s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the assets or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable).
- its value in use (if determinable); and
- zero.

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The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

### Reversal of impairment loss

The economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occurs when there is clear evidence that such a redesignation is appropriate.

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## 1.12. Share capital / contributed capital

Contributed capital is the initial funding received from the shareholder upon establishment of the NHLS

Contributed capital is stated at par value.

## 1.13. Employee benefits

### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave, sick leave, and bonuses), are recognised in the period in which the service is rendered.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the entity expects to pay in exchange for that service and had accumulated at the reporting date.

### Post-employment benefits

NHLS provides post-employment healthcare benefits. Members who joined NHLS before 1 January 2003, and KwaZulu-Natal members who joined NHLS before 1 October 2006 are eligible for a subsidy of medical scheme contributions in retirement.

## 1.14. Provisions and contingencies

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event,
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating write-offs.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36 unless the probability of occurrence is remote.

National Health Laboratory Service
**ACCOUNTING POLICIES**
for the year ended 31 March 2024

## 1.15. Revenue from exchange transactions

NHLS revenue from exchange transactions consists of laboratory tests and the sale of anti-venom.

**Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts.

**Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Recognition**

Revenue is recognised when the laboratory tests performed have been resulted logged on the Track Care system and billed on Oracle.

## 1.16. Revenue from non-exchange transactions

Revenue from non-exchange transactions consists of grants and transfers from DoH.

**Recognition**

Revenue from re-imbursive and non-reimbursive grants is recognised when expenses have been incurred and receipted and the debtor raised.

**Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

## 1.17. Cost of sales

When inventories are issued, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net replacement costs and all write-offs of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any writes down of inventories, arising from an increase in net realisable value is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in the cost of sales.

National Health Laboratory Service
**ACCOUNTING POLICIES**
for the year ended 31 March 2024

## 1.18. Interest income

Interest income comprises of interest received from debtors, banks, and investments.

## 1.19. Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

## 1.20. Fruitless and wasteful expenditure

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

## 1.21. Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial year, and which was condoned before year- end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required, with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which consent is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

## 1.22. Segment information

Reportable segments comprise of Laboratory Services, NIOH, NICD, FCLs, and SAVP. They are defined geographically as well as per the activities of the economic entity.

**Measurement**

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets, or the segment's liabilities, in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

## 1.23. Budget information

The approved budget is prepared on an accrual basis and presented by functional classification.

The economic entity budget includes all the entities approved budgets under its control.

National Health Laboratory Service
**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**
for the year ended 31 March 2024

# 2. New standards and interpretations

## 2.1. Standards and interpretations issued, but not yet effective

The following standard and interpretation has not been applied, has been been published and are mandatory for the economic entity's accounting periods beginning on or after 01 April 2024 or later periods. Key changes made to GRAP 104 includes guidance on offsetting financial assets and financial liabilities, changes in classification and new disclosures on credit risk management practices, evaluation of credit losses on financial performance and position and credit risk exposure. The effective date of application was determined to be 1 April 2025. There was no effect on the consolidated annual financial statements for the year ended 31 March 2024.

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|---|
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | Impact is currently being assessed |

# 3. Inventories

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| Raw materials, components | 1 187 | 118 | - | - |
| Work in progress | 3 939 | 7 226 | - | - |
| Finished goods | 309 | 166 | - | - |
| Consumable stores | 555 163 | 590 191 | 555 164 | 590 197 |
| | **560 598** | **597 701** | **555 164** | **590 197** |

As at 31 March 2024 the NHLS inventory balance amounts to R561 million (2023: R598 million). During the financial year ended 31 March 2024 the NHLS expensed inventory to the value R3.6 billion (2023: R3.8 billion). The main inventory expense is driven by laboratory goods. An amount of R14.8 million (2023: R14 million) was written off during the financial year ended 31 March 2024, the write down mainly relates to obsolete and slow moving stock. There was a reduction in the adjustment (write down) in relation of valuing COVID-19 inventory items to the value of R27.6 million (2023: R157.6 million).

National Health Laboratory Service
**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**
for the year ended 31 March 2024

## 4. Receivables from exchange transactions

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| Trade debtors | 8 475 073 | 6 980 010 | 8 472 047 | 6 978 362 |
| Less: Allowance for impairment on trade debtors | (4 987 349) | (3 985 290) | (4 986 737) | (3 984 704) |
| | 3 487 724 | 2 994 720 | 3 485 310 | 2 993 658 |
| Interest receivable | 6 694 | 7 039 | 6 694 | 7 039 |
| Other receivables | 5 146 | 3 675 | 5 084 | 3 648 |
| Teaching Services* | 212 625 | 146 595 | 212 625 | 146 595 |
| | **3 712 189** | **3 152 029** | **3 709 713** | **3 150 940** |

*Teaching servises are in respect of revenue generated for teaching activities provided by the NHLS employees to the different institutions of higher learning.

| | | | | |
|---|---|---|---|---|
| **Financial instruments** | | | | |
| Trade debtors | 8 475 073 | 6 980 010 | 8 472 047 | 6 978 362 |
| Allowance for impairment on trade debtors | (4 987 349) | (3 985 290) | (4 986 737) | (3 984 704) |
| Interest receivable | 6 694 | 7 039 | 6 694 | 7 039 |
| Teaching Services* | 212 625 | 146 595 | 212 625 | 146 595 |
| | **3 707 043** | **3 148 354** | **3 704 629** | **3 147 292** |
| **Non Financial Instruments** | | | | |
| Other receivables | 5 146 | 3 675 | 5 084 | 3 648 |
| | 5 146 | 3 675 | 5 084 | 3 648 |
| | **3 712 189** | **3 152 029** | **3 709 713** | **3 150 940** |

### Outstanding debt from the KwaZulu-Natal Department of Health

As of 31 March 2024 the KwaZulu-Natal Department of Health owed an amount of R4.02bn (2023: R3.1 billion). This represents a 28% increase in the debt as compared to the prior financial year of the total amount owed by the provincial department of health; an amount of R3.26 billion (2023: R2.59 billion) has been impaired.

A special audit was conducted with relation to the NHLS billing to the KwaZulu-Natal DoH between the 2008 and 2014 financial years, which resulted in the province disputing an amount of R2.08 billion. The NHLS continues to engage the KwaZulu-Natal DoH with regards to the disputed amount; however, no resolution has been reached to date.

### Outstanding debt from the Gauteng Department of Health

As of 31 March 2024 the Gauteng Department of Health owed an amount of R1.63bn (2023: R1.41 billion). This represents a 16% increase in the debt as compared to the prior financial year. Of the total amount owed by the provincial department of health, an amount of R901 million (2023: R854 million) has been impaired.

National Health Laboratory Service
**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**
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## 4. Receivables from exchange transactions (continued)

### Outstanding debt from the Eastern Cape Department of Health

As of 31 March 2024 the Eastern Cape Department of Health owed an amount of R941 million (2023: R656 million). This represents a 43% increase in the debt as compared to the prior financial year. Of the total amount owed by the provincial department of health, an amount of R644 million (2023: R401 million) has been impaired.

### Outstanding debt from the Northern Cape Department of Health

As of 31 March 2024 the Northern Cape Department of Health owed an amount of R423 million (2023: R424 million). This represents a 0.2% decrease in the debt as compared to the prior financial year. Of the total amount owed by the provincial department of health, an amount of R358 million (2023: R368 million) has been impaired.

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| **Trade and other receivables past due but not impaired** | | | | |
| The ageing of amounts past due but not impaired is as follows: | | | | |
| 1 month past due | - | 349 946 | - | 349 759 |
| 2 months past due | - | 568 535 | - | 568 336 |
| 3 months past due | - | 5 757 | - | 5 676 |
| | **-** | **924 238** | **-** | **923 771** |

The maximum exposure is the carrying amount of Receivables from exchange transactions.

### Receivable from exchange transactions impaired

As at 31 March 2024, receivables from exchange transactions of R5.billion (2023: R4.0 billion): were impaired and provided for.

### Reconciliation of provision for impairment of receivables from exchange transactions

| | | | | |
|---|---|---|---|---|
| Opening balance | 3 985 290 | 4 790 169 | 3 984 704 | 4 789 739 |
| Allowance for debt impairment | 895 092 | (804 600) | 959 515 | (804 756) |
| Amounts written off as uncollectible | (1 943) | (279) | - | (279) |
| | **4 878 439** | **3 985 290** | **4 944 219** | **3 984 704** |

### Trade and other receivables pledged as security

None of the Trade and other receivables were pledged as security.

## 5. Debt impairment

| | | | | |
|---|---|---|---|---|
| Contributions to debt impairment provision | **949 544** | **(804 600)** | **959 515** | **(804 756)** |

National Health Laboratory Service

**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2024

## 6. Receivables from non-exchange transactions

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| Receivables from non-exchange transactions - gross | 403 021 | 335 308 | 403 021 | 335 308 |
| Allowance for impairment receivables from non exchange transactions | (114 981) | (167 496) | (114 981) | (167 496) |
| | **288 040** | **167 812** | **288 040** | **167 812** |

## 7. VAT receivable

| | | | | |
|---|---|---|---|---|
| VAT | **274** | **357** | **-** | **-** |

## 8. Cash and cash equivalents

| | | | | |
|---|---|---|---|---|
| Cash and cash equivalents consist of: | | | | |
| Cash on hand | 833 | 268 | 803 | 241 |
| Bank balances | 89 768 | 65 529 | 89 146 | 65 293 |
| Short-term deposits | 5 620 660 | 5 073 571 | 5 612 043 | 5 065 102 |
| | **5 711 261** | **5 139 368** | **5 701 992** | **5 130 636** |
| Cash and cash equivalents held by the entity that are not available for use by the economic entity | 547 017 | 508 592 | 547 017 | 508 592 |

None of the cash and equivalent balances are encumbered.

The interest earned on cash at bank and short term deposits ranged from 8.12% to 9.66% (2023: 6.05% to 6.83%) and these deposits had an average maturity of 30 days.

In terms of Section 53(3) of the PFMA, the NHLS as a public 3A entity may not accumulate a surplus without prior written approval of the National Treasury being obtained. In order to give guidance to public entities and to operationalise this section of the PFMA, the National Treasury issued Instruction Note 12 of 2020-2021 on 02 September 2020, which indicates that a public entity must declare all surpluses to the relevant treasury from 01 August to 30 September of each year, after the financial year-end. The NHLS will submit a motivation and request to retain all of its surpluses to the National Treasury by 31 December 2024 once the annual financial statements have been audited and approved.

National Health Laboratory Service

**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2024

## 9. Property, plant and equipment

| Economic entity | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Buildings | 612 366 | (129 041) | 483 325 | 688 684 | (107 820) | 580 864 |
| Buildings - air systems | 431 | (226) | 205 | 491 | (249) | 242 |
| Computer equipment | 489 218 | (282 984) | 206 234 | 462 281 | (247 660) | 214 621 |
| Furniture and fixtures | 15 444 | (4 165) | 11 279 | 13 631 | (3 720) | 9 911 |
| Laboratory equipment | 1 408 387 | (787 320) | 621 067 | 1 194 593 | (753 034) | 441 559 |
| Land | 105 382 | - | 105 382 | 109 769 | - | 109 769 |
| Lab Buildings | 18 159 | 24 357 | 42 516 | 11 460 | 970 | 12 430 |
| Mobile units | 45 786 | (26 693) | 19 093 | 44 973 | (25 819) | 19 154 |
| Motor vehicles | 90 905 | (72 016) | 18 889 | 93 645 | (58 566) | 35 079 |
| Office Equipment | 52 580 | (28 246) | 24 334 | 45 346 | (29 040) | 16 306 |
| Other property, plant and equipment | (99) | - | (99) | - | - | - |
| Plant and machinery | 12 196 | (5 670) | 6 526 | 9 237 | (5 692) | 3 545 |
| **Total** | **2 850 755** | **(1 312 004)** | **1 538 751** | **2 674 110** | **(1 230 630)** | **1 443 480** |

| Controlling entity | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Buildings | 612 366 | (129 041) | 483 325 | 688 684 | (107 820) | 580 864 |
| Buildings - air systems | 431 | (226) | 205 | 491 | (249) | 242 |
| Computer equipment | 488 954 | (282 983) | 205 971 | 462 097 | (247 620) | 214 477 |
| Furniture and fixtures | 15 329 | (4 089) | 11 240 | 13 516 | (3 654) | 9 862 |
| Laboratory equipment | 1 403 723 | (784 532) | 619 191 | 1 190 154 | (750 395) | 439 759 |
| Land | 105 382 | - | 105 382 | 109 769 | - | 109 769 |
| Motor vehicles | 90 905 | (72 016) | 18 889 | 93 645 | (58 566) | 35 079 |
| Lab buildings | 18 159 | 24 357 | 42 516 | 11 460 | 970 | 12 430 |
| Mobile units | 45 786 | (26 693) | 19 093 | 44 973 | (25 819) | 19 154 |
| Office equipment | 52 527 | (28 212) | 24 315 | 45 293 | (29 003) | 16 290 |
| Plant and machinery | 12 196 | (5 670) | 6 526 | 9 237 | (5 692) | 3 545 |
| **Total** | **2 845 758** | **(1 309 105)** | **1 536 653** | **2 669 319** | **(1 227 848)** | **1 441 471** |

## 9. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - Economic entity - 2024**

| | Opening balance | Additions | Revaluation | Disposals | Reclassification | Change in accounting Estimates | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Buildings | 580 864 | - | (68 327) | - | (7 314) | - | (21 221) | (677) | 483 325 |
| Buildings - air systems | 242 | - | - | (57) | - | 53 | (33) | - | 205 |
| Computer equipment | 214 621 | 33 935 | - | (203) | (142) | 25 955 | (67 932) | - | 206 234 |
| Furniture and fixtures | 9 911 | 2 190 | - | (146) | (66) | 199 | (809) | - | 11 279 |
| Laboratory equipment | 441 559 | 237 652 | - | (2 710) | 4 993 | 57 177 | (117 604) | - | 621 067 |
| Land | 109 769 | - | (4 387) | - | - | - | - | - | 105 382 |
| Lab Buildings | 12 430 | 23 283 | - | (552) | 7 809 | 779 | (1 233) | - | 42 516 |
| Mobile units | 19 154 | 134 | - | - | 676 | 1 322 | (2 193) | - | 19 093 |
| Motor vehicles | 35 079 | 100 | - | (1 078) | - | 931 | (16 143) | - | 18 889 |
| Office equipment | 16 306 | 15 330 | - | (243) | (4 523) | 2 627 | (5 163) | - | 24 334 |
| Plant and machinery | 3 545 | 3 275 | - | (3) | (118) | 687 | (860) | - | 6 526 |
| **Total** | **1 443 480** | **315 899** | **(72 714)** | **(4 992)** | **1 315** | **89 730** | **(233 191)** | **(677)** | **1 538 850** |

## 9. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - Economic entity - 2023**

| | Opening balance | Additions | Assets acquired on taken on | Disposals | Transfers received | Reclassification | Land transfers | Donation received | Change Accounting Estimates | Depreciation | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | | |
| Buildings | 594 174 | 677 | - | - | - | 7 314 | - | - | - | (21 301) | 580 864 |
| Buildings - air systems | 17 | 242 | - | - | - | - | - | - | - | (17) | 242 |
| Computer equipment | 227 916 | 32 718 | 233 | (51) | 29 | 41 | - | 386 | 22 386 | (69 037) | 214 621 |
| Furniture and fixtures | 8 618 | 1 444 | 305 | (48) | - | 28 | - | - | 209 | (645) | 9 911 |
| Laboratory equipment | 452 503 | 42 474 | 17 108 | (4 325) | - | (48) | - | - | 52 382 | (118 535) | 441 559 |
| Land | 95 552 | - | - | - | - | - | 14 217 | - | - | - | 109 769 |
| Lab buidlings | 15 837 | 2 859 | - | (334) | - | (7 314) | - | - | 1 997 | (615) | 12 430 |
| Mobile units | 15 791 | 4 312 | - | - | - | - | - | - | 1 304 | (2 253) | 19 154 |
| Motor vehicles | 50 994 | - | - | (139) | - | - | - | - | 993 | (16 769) | 35 079 |
| Office equipment | 14 491 | 3 785 | 848 | (277) | - | (21) | - | 410 | 2 137 | (5 067) | 16 306 |
| Plant and machinery | 3 104 | 803 | 26 | (7) | - | - | - | - | 579 | (960) | 3 545 |
| **Total** | **1 478 997** | **89 314** | **18 520** | **(5 181)** | **29** | **-** | **14 217** | **796** | **81 987** | **(235 199)** | **1 443 480** |

## 9. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - Controlling entity - 2024**

**Figures in Rand thousand**

| | Opening balance | Additions | Revaluation | Disposals | Reclassification | Change in accounting Estimates | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Buildings | 580 864 | - | (68 327) | - | (7 314) | - | (21 221) | (677) | 483 325 |
| Buildings - air systems | 242 | - | - | (57) | - | 53 | (33) | - | 205 |
| Computer equipment | 214 477 | 33 830 | - | (203) | (142) | 25 936 | (67 927) | - | 205 971 |
| Furniture and fixtures | 9 862 | 2 190 | - | (146) | (66) | 199 | (799) | - | 11 240 |
| Laboratory equipment | 439 759 | 237 429 | - | (2 710) | 4 993 | 57 018 | (117 298) | - | 619 191 |
| Land | 109 769 | - | (4 387) | - | - | - | - | - | 105 382 |
| Lab Buildings | 12 430 | 23 283 | - | (552) | 7 809 | 779 | (1 233) | - | 42 516 |
| Mobile units | 19 154 | 134 | - | - | 676 | 1 322 | (2 193) | - | 19 093 |
| Motor vehicles | 35 079 | 100 | - | (1 078) | - | 931 | (16 143) | - | 18 889 |
| Office equipment | 16 290 | 15 330 | - | (243) | (4 523) | 2 624 | (5 163) | - | 24 315 |
| Plant and machinery | 3 545 | 3 275 | - | (3) | (118) | 687 | (860) | - | 6 526 |
| **Total** | **1 441 471** | **315 571** | **(72 714)** | **(4 992)** | **1 315** | **89 549** | **(232 870)** | **(677)** | **1 536 653** |

## 9. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - Controlling entity - 2023**

| | Opening balance | Additions | Assets acquired on taken on | Disposals | Transfers | Reclassification | Land Transfer | Donation received | Depreciation | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | |
| Buildings | 594 174 | 677 | - | - | 7 314 | - | - | - | (21 301) | 580 864 |
| Buildings - air systems | 17 | 242 | - | - | - | - | - | - | (17) | 242 |
| Computer equipment | 227 833 | 32 696 | 233 | (51) | 41 | - | 386 | 22 367 | (69 028) | 214 477 |
| Furniture and fixtures | 8 564 | 1 444 | 305 | (49) | 28 | - | - | 209 | (639) | 9 862 |
| Laboratory equipment | 450 929 | 42 424 | 17 108 | (4 325) | (48) | - | - | 52 036 | (118 365) | 439 759 |
| Land | 95 552 | - | - | - | - | 14 217 | - | - | - | 109 769 |
| Lab buildings | 15 837 | 2 859 | - | (334) | (7 314) | - | - | 1 997 | (615) | 12 430 |
| Mobile units | 15 791 | 4 312 | - | - | - | - | - | 1 304 | (2 253) | 19 154 |
| Motor vehicles | 50 994 | - | - | (139) | - | - | - | 993 | (16 769) | 35 079 |
| Office equipment | 14 478 | 3 785 | 848 | (277) | (21) | - | 410 | 2 134 | (5 067) | 16 290 |
| Plant and machinery | 3 104 | 803 | 26 | (7) | - | - | - | 579 | (960) | 3 545 |
| **Toal** | **1 477 273** | **89 242** | **18 520** | **(5 182)** | **-** | **14 217** | **796** | **81 619** | **(235 014)** | **1 441 471** |

*Reclassification represents corrections made in current year of the following categories:

- owned buildings incorrectly classifiied as lab buildings,
- computer equipment incorrectly classified as lab equipment,
- furniture and fixtures incorrectly classified as office equipment and lab equipment.

National Health Laboratory Service
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## 9. Property, plant and equipment (continued)

### Revaluations

The effective date of the revaluations was 31 March 2024 Revaluations were performed by independent valuers, Christopher Baleni (Professional Associated Valuer) and Thandazile Manana (Professional Valuer), of Chris B Real Estate (Pty) Ltd. Christopher Baleni and Thandzile Manana are not connected to the economic entity.

Land and buildings are revalued independently every five years.

The valuation was performed using the depreciated replacement method and the comparison method, and the following assumptions were used:

- **Land Sales Analysis** :There is scarcity of sales like the subject land. We surveyed the area for similar sized vacant land sales and only scathed through a few that are similar in extent to thesubject property.
- **Effective Age**: Effective age is the age indicated by the condition and utility of a building and was based on a valuer's judgement and interpretation of market perceptions. Actual age is the number of years that have elapsed since building construction was completed. Actual age is the inital element analysed in the estimation of effective age.
- **Estimated Economic Life**: The estimated total life is the estimated total useful life expectancy for the individual asset as per engineering specifications and industry norms. We have estimated its total economic life based on the design and specifications and on the maintenance and usageof the asset to be in the order of 100 years.
- **Use of Construction Indices:** Construction rates used in the construction industry are largely based on the AECOM construction index as provided by the African Property and Construction Handbook. However, there are no standard and generalised rates for heavy civil construction works as these are subject to detailed engineering specifications and designs.
- **Cumulative Depreciation Rate:** The location, condition and age of buildings were taken into account in determining the depreciation rate. The cumulative depreciation rate is calculated based on the condition or age of buildings using the reducing balance method

These assumptions were based on current market conditions.

### Property, plant and equipment in the process of being constructed or developed

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| **Cumulative expenditure recognised in the carrying value of property, plant and equipment** | | | | |
| Laboratory buildings | 396 | - | 396 | - |
| Laboratory equipment | 10 592 | - | 10 592 | - |
| | **10 988** | **-** | **10 988** | **-** |

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## 9. Property, plant and equipment (continued)

**Expenditure incurred to repair and maintain property, plant and equipment**

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| **Expenditure incurred to repair and maintain Property, Plant and Equipment included in Statement of Financial Performance** | | | | |
| Office equipment | 1 337 | 2 192 | 1 332 | 2 189 |
| Buildings | 76 589 | 42 912 | 76 537 | 42 686 |
| Motor vehicles | 203 | 417 | 203 | 417 |
| Laboratory equipment | 77 194 | 58 810 | 76 712 | 58 129 |
| | **155 323** | **104 331** | **154 784** | **103 421** |

## 10. Living resources

| Economic entity | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost/Fair Value | Accumulated depreciation and accumulated impairment | Carrying value | Cost/Fair Value | Accumulated Carrying value depreciation and accumulated impairment | Carrying value |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Sheep | 31 | (13) | 18 | 8 | 13 | 21 |
| Horses | 120 | (29) | 91 | 105 | (19) | 86 |
| **Total** | **151** | **(42)** | **109** | **113** | **(6)** | **107** |

**Reconciliation of living resources - Economic entity - 2024**

| | Opening balance | Increase through non-exchange functions | Depreciation | Total |
|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 |
| Sheep | 21 | - | (3) | 18 |
| Horses | 86 | 15 | (10) | 91 |
| | **107** | **15** | **(13)** | **109** |

**Reconciliation of living resources - Economic entity - 2023**

| | Opening balance | Depreciation | Total |
|---|---|---|---|
| | R'000 | R'000 | R'000 |
| Sheep | 26 | (5) | 21 |
| Horses | 95 | (9) | 86 |
| | **121** | **(14)** | **107** |

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## 11. Intangible assets

| Economic entity | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortisation and accumulated impairment | Carrying value | Cost | Accumulated amortisation and accumulated impairment | Carrying value |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Computer software licenses | 12 293 | (1 985) | 10 308 | 11 475 | (177) | 11 298 |
| Patents | 60 | (48) | 12 | 60 | (45) | 15 |
| **Total** | **12 353** | **(2 033)** | **10 320** | **11 535** | **(222)** | **11 313** |

| Controlling entity | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortisation and accumulated impairment | Carrying value | Cost | Accumulated amortisation and accumulated impairment | Carrying value |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Computer software licenses | 12 293 | (1 985) | 10 308 | 11 475 | (177) | 11 298 |
| Patents | 60 | (48) | 12 | 60 | (45) | 15 |
| **Total** | **12 353** | **(2 033)** | **10 320** | **11 535** | **(222)** | **11 313** |

### Reconciliation of intangible assets - Economic entity - 2024

| | Opening balance | Additions | Transfers | Amortisation | Total |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| Computer software licenses | 11 298 | 839 | - | (1 829) | 10 308 |
| Patents | 15 | - | - | (3) | 12 |
| | **11 313** | **839** | **839** | **(1 832)** | **10 320** |

### Reconciliation of intangible assets - Economic entity - 2023

| | Opening balance | Additions | Transfers | Change in Accounting Estimates | Amortisation | Total |
|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Computer software licenses | 5 110 | 1 739 | - | 5 952 | (1 503) | 11 298 |
| Patents | 18 | - | - | - | (3) | 15 |
| | **5 128** | **1 739** | **-** | **5 952** | **(1 506)** | **11 313** |

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## 11. Intangible assets (continued)

**Reconciliation of intangible assets - Controlling entity - 2024**

| | Opening balance | Additions | Transfers | Amortisation | Total |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| Computer software licenses | 11 298 | 839 | - | (1 829) | 10 308 |
| Patents | 15 | - | - | (3) | 12 |
| | **11 313** | **839** | **-** | **(1 832)** | **10 320** |

**Reconciliation of intangible assets - Controlling entity - 2023**

| | Opening balance | Additions | Transfers | Change in Accounting Estimates | Amortisation | Total |
|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Computer software licenses | 5 110 | 1 739 | - | 5 952 | (1 503) | 11 298 |
| Patents | 18 | - | - | - | (3) | 15 |
| | **5 128** | **1 739** | **-** | **5 952** | **(1 506)** | **11 313** |

## 12. Deferred tax

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| Deferred tax asset | **2 418** | **5 071** | | |

The tax loss was not considered in the computation of the prior period deferred tax. Management has assessed and is satisfied with the probability of sufficient future taxable income against which the tax loss will be offset.

**Reconciliation of deferred tax Assets**

| | | | | |
|---|---|---|---|---|
| At beginning of year | 5 071 | 5 071 | - | - |
| Adjustment due to rate change | - | 13 | - | - |
| Temporary difference movement on property, plant and equipment | - | (116) | - | - |
| Temporary difference on provisions | 4 | 2 | - | - |
| Tax loss | - | 3 080 | - | - |
| Adjustment of receivable income tax to deferred tax asset | (2 563) | (2 979) | - | - |
| | **2 418** | **5 071** | **-** | **-** |

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## 13. Loans to economic entities

**Controlled entities**

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| South African Vaccine Producers (Pty)Ltd | - | - | 53 771 | 43 773 |
| | - | - | 53 771 | 43 773 |
| Impair of loans to controlled entities | - | - | (53 771) | (43 773) |
| | - | - | - | - |

The controlling entity has subordinated its rights to claim payments of debts of R53,77 million (2023: R43,773 million) owing to it by South African Vaccine Producers (Pty) Limited until the assets of the subsidiary, fairly valued, exceed its liabilities. The report of the Accounting Authority contains further details of the subsidiary.

| | | | | |
|---|---|---|---|---|
| Non-current assets | - | 7 | - | - |
| Non-current liabilities | - | (7) | - | - |
| | - | - | - | - |

## 14. Post-retirement employee benefit obligations

**The amounts recognised in the statement of financial position are as follows:**

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| **Carrying value** | | | | |
| Present value of the defined benefit obligation - wholly unfunded | (925 753) | (877 778) | (925 753) | (877 778) |
| Non-current liabilities | (913 137) | (836 793) | (913 137) | (836 793) |
| Current liabilities | (12 616) | (40 985) | (12 616) | (40 985) |
| | **(925 753)** | **(877 778)** | **(925 753)** | **(877 778)** |
| **Maturity of Obligation** | | | | |
| Within a year | (12 616) | (40 985) | (12 616) | (12 616) |
| Greater than 5 years | (913 131) | (836 793) | (913 131) | (913 131) |

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## 14. Post-retirement employee benefit obligations (continued)

**Changes in the present value of the defined benefit obligation are as follows:**

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| Opening balance | 877 778 | 1 023 299 | 877 778 | 1 023 299 |
| Contributions by plan participants | (46 776) | (44 010) | (46 776) | (44 010) |
| Other | (3 108) | 24 242 | (3 108) | 24 242 |
| Net expense (income) recognised in the statement of financial performance | 94 752 | (125 753) | 94 752 | (125 753) |
| | **922 646** | **877 778** | **922 646** | **877 778** |
| **Net expense recognised in the statement of financial performance** | | | | |
| Current service cost | 15 324 | 19 447 | 15 324 | 19 447 |
| Interest cost | 114 582 | 121 963 | 114 582 | 121 963 |
| Re-measurement | (35 154) | (267 163) | (35 154) | (267 163) |
| | 94 752 | (125 753) | 94 752 | (125 753) |
| **Calculation of Re-measurement** | | | | |
| Change in modelling methodology | (3 108) | - | (3 108) | - |
| Change in Subsidy Valued | - | 3 402 | - | 3 402 |
| Change in Real Discount Rate | - | (169 376) | - | (169 376) |
| Lower than expected healthcare cost inflation including changes in benefit options Lower than expected Rand Cap Inflation | - - | (3 192) (8 484) | - - | (3 192) (8 484) |
| Unexpected changes in membership | - | (89 513) | - | (89 513) |
| Demographic changes | (79 609) | - | (79 609) | - |
| Financial Changes | 24 088 | - | 24 088 | - |
| Miscellanous | 23 475 | - | 23 475 | - |
| | **(35 154)** | **(267 163)** | **(35 154)** | **(267 163)** |

### Key assumptions used

The value of the obligation is dependent on, amongst others, the demographic profile of employees, mortality, consumer price inflation, and bond yields. The cashflow -weighted average maturity or timing of the post-employment medical aid subsidy benefit is 16.5 years (prior year: 15.1 years). The normal retirement age used in the valuation was 65 years (2022-2023: 65 years). Below are other assumptions that were used.

| | | | | |
|---|---|---|---|---|
| Discount rate (from government bond yield curve at average duration) | 15,10 % | 13,10 % | 15,10 % | 13,10 % |
| Inflation rate (inflation implied yield curves at average duration) | 9,40 % | 7,40 % | 9,40 % | 7,40 % |
| Medical scheme contribution increases (market inflation plus 2%) | 11,40 % | 8,90 % | 11,40 % | 8,90 % |

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## 14. Post-retirement employee benefit obligations (continued)

### Sensitivity analysis

Sensitivity of the aggregate liability to key assumptions

| | One percentage point increase | One percentage point decrease |
|---|---|---|
| | R'000 | R'000 |
| Discount rate | (152 918) | 18 673 |
| Contributions Inflation (years) | 18 782 | (15 589) |
| Post-retirement mortality (years) | (6 394) | 6 843 |
| Retirement Age (years) | (3 000) | 2 971 |

### Defined contribution plan

It is the policy of the economic entity to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Funds Act exist for this purpose.

The economic entity is under no obligation to cover any unfunded benefits.

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## 15. Payables from exchange transactions

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| Trade payables * | 268 676 | 154 481 | 268 658 | 154 343 |
| Income received in advance - contracts in progress | 146 | 6 896 | - | - |
| Debtors with credit balances | 183 208 | 102 472 | 183 208 | 102 472 |
| Accrued expenses | 551 188 | 838 232 | 550 561 | 837 880 |
| Other payables ** | 51 978 | 33 080 | 51 978 | 33 080 |
| | **1 055 196** | **1 135 161** | **1 054 405** | **1 127 775** |

* Trade payables are non-interest bearing and are normally settled on 30-day payment terms.

** Other payables are made up of employee cost related liabilities and other sundry payables.

| | | | | |
|---|---|---|---|---|
| **Financial instruments** | | | | |
| Trade payables | 268 675 | 154 481 | 268 659 | 154 344 |
| Debtors with credit balances | 183 208 | 102 472 | 183 208 | 102 472 |
| Accrued expense | 551 188 | 838 232 | 550 561 | 837 880 |
| | **1 003 071** | **1 095 185** | **1 002 428** | **1 094 696** |
| **Non Financial instruments** | | | | |
| Income received in advance – contracts in progress | 146 | 6 896 | - | - |
| Other payables | 51 978 | 33 080 | 51 978 | 33 080 |
| | **52 124** | **39 976** | **51 978** | **33 080** |

## 16. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

| | | | | |
|---|---|---|---|---|
| **Unspent conditional grants and receipts** | | | | |
| Research grants | 126 783 | 129 093 | 126 783 | 129 093 |
| **Reconciliation of unspent grants** | | | | |
| Balance at the beginning of the year | 129 093 | 70 866 | 129 093 | 70 866 |
| Additions during the year | 51 729 | 86 242 | 51 729 | 86 242 |
| Income recognition during the year | (54 039) | (28 015) | (54 039) | (28 015) |
| | **126 783** | **129 093** | **126 783** | **129 093** |

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## 17. Provisions

**Reconciliation of provisions - Economic entity - 2024**

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| DoH utility charges provision [1] | 138 752 | 78 311 | (8 758) | (72 426) | 135 879 |

**Reconciliation of provisions - Economic entity - 2023**

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| DoH utility charges provision [1] | 139 604 | 65 562 | (5 718) | (60 696) | 138 752 |
| Salaries provision [2] | 163 671 | - | - | (163 671) | - |
| | **303 275** | **65 562** | **(5 718)** | **(224 367)** | **138 752** |

**Reconciliation of provisions - Controlling entity - 2024**

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| DoH utility charges provision [1] | 138 752 | 78 311 | (8 758) | (72 426) | 135 879 |

**Reconciliation of provisions - Controlling entity - 2023**

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| DoH utility charges provision [1] | 139 604 | 65 562 | (5 718) | (60 696) | 138 752 |
| Salaries provision [2] | 163 671 | - | - | (163 671) | - |
| | **303 275** | **65 562** | **(5 718)** | **(224 367)** | **138 752** |

[1] The DoH utility charges provision relates to utilities and maintenance fees owing to the DoH for various provincial hospital facilities around the country. During the 2020-2021 financial year, the NHLS developed and implemented a new utilities policy that was approved by all the relevant structures. The policy resulted in the reversal of all the utility provisions and accruals older than three years as of the 31 March 2021. The policy also defined and provided guidelines for the amounts to be disclosed as the utilities accrual as well as the utilities provision in the consolidate annual financial statements. For the facilities occupied in Northern Cape, Mpumalanga, KwaZulu-Natal, management estimates the amount owed to the DoH based on prior year estimates as NHLS does not receive invoices from the Department in time. Whereas for facilities occupied in Limpopo, Free State, North-West, Gauteng, Eastern Cape and Western Cape, estimates are based on prior- year invoices. The timing of the payment due is therefore uncertain.

[2] The economic entity had an agreement with Walter Sisulu University wherein the NHLS was required to pay part of the salaries for pathological academic staff that were joint appointments between the NHLS and the University. The amount has been estimated in the absence of actual figures and invoices.

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## 18. Employee benefit obligation

**Controlling and economic entity**

**Reconciliation of employee benefit obligation - 2024**

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| Leave pay obligation | 337 107 | 4 510 | (4 479) | 32 299 | 369 437 |
| Bonus obligation | 692 | - | - | (28) | 664 |
| | **337 799** | **4 510** | **(4 479)** | **32 271** | **370 101** |

The leave pay obligation relates to vesting leave pay to which employees may become entitled upon leaving the employment of the economic entity. The obligation arises as employees render a service that increases their entitlement to future compensated leave and is calculated based on an employee's total cost of employment. The obligation is utilised when employees become entitled to and are paid for the accumulated leave pay or utilise compensated leave due to them.

The bonus obligation is made up of the following:

Certain employees in bands D and above who are on the cost- to- company package and elected to structure part of their package as a 13th cheque. The obligation is utilised when employees become entitled to and are paid for their services to the entity. The bonus payable is determined by applying a specific formula based on the employees' total cost to the company; and

A 13th cheque for employees in bands A to C, which is payable in December each year

**Reconciliation of employee benefit obligation - 2023**

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 |
| Leave pay obligation | 334 261 | 69 829 | (66 983) | 337 107 |
| Bonus obligation | 532 | 987 | (827) | 692 |
| | **334 793** | **70 816** | **(67 810)** | **337 799** |

## 19. Current tax payable

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| | - | - | - | - |
| Current tax payable | 2 849 | 2 026 | - | - |
| | **28 49** | **2 026** | **-** | **-** |

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## 20. Payables from non-exchange transaction

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| Debtors with Credit balance from non-exchange transactions | 15 057 | 138 113 | 15 057 | 138 113 |
| | **15 057** | **138 113** | **15 057** | **138 113** |

## 21. Revenue

| | | | | |
|---|---|---|---|---|
| Sale of goods | 24 863 | 11 979 | - | - |
| Rendering of services | 11 472 440 | 11 152 285 | 11 472 440 | 11 152 285 |
| Government grants & subsidies | 706 425 | 772 521 | 706 425 | 772 521 |
| Grant Income Recognised | 183 468 | 286 254 | 183 468 | 286 254 |
| | **12 387 196** | **12 223 039** | **12 362 333** | **12 211 060** |
| **The amount included in revenue arising from exchanges of goods or services are as follows:** | | | | |
| Sale of goods | 24 863 | 11 979 | - | - |
| Rendering of services | 11 472 440 | 11 152 285 | 11 472 440 | 11 152 285 |
| | **11 497 303** | **11 164 264** | **11 472 440** | **11 152 285** |
| **The amount included in revenue arising from non-exchange transactions is as follows:** | | | | |
| **Taxation revenue** | | | | |
| **Transfer revenue** | | | | |
| Government grants & subsidies | 706 425 | 772 521 | 706 425 | 772 521 |
| Grant Income recognised | 183 468 | 286 254 | 183 468 | 286 254 |
| | **889 893** | **1 058 775** | **889 893** | **1 058 775** |

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## 22. Other income

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| Discount received | 1 112 | 1 288 | 1 112 | 1 288 |
| Miscellaneous other income [1] | 15 451 | 20 829 | 15 451 | 20 829 |
| Fees earned | 14 085 | 2 427 | 14 085 | 2 427 |
| Internal recoveries | 5 | 4 | 5 | 4 |
| Other income FCL take on [2] | - | 18 520 | - | 18 520 |
| Other income - Land and Building [3] | - | 14 218 | - | 14 218 |
| Public contributions and Donations | 15 | 2 138 | - | 2 138 |
| Utilities provision write off [4] | 72 426 | 60 696 | 72 426 | 60 696 |
| Gain on exchange differences | 6 929 | 3 170 | 6 929 | 3 170 |
| Royalties received | 661 | 1 714 | 661 | 1 714 |
| Sundry income | 7 322 | 3 512 | 7 322 | 3 512 |
| | **118 006** | **128 516** | **117 991** | **128 516** |

[1] Miscellaneous other income is generated when the NHLS recovers funds for lease agreements, hosts conferences, and other charges that need to be recovered from the use of its own facilities, such as those used by Contract Laboratory Services.

[2] The Forensic Chemistry Laboratories (FCL) were integrated fully into the NHLS on the 1st of April 2022 as a transfer from the National Department of Health. An amount of R18 520 000 included in 2023 Other Income is in relation to the FCLs assets that were transferred to the NHLS.

[3] An amount of R14 218 000 included in 2023. Other income relates to the recognition of land in the Western Cape and Gauteng.

[4] The Utilities provision write -off is in relation to the Utilities policy, which was first implemented in the 2021–2022 financial year and resulted in the write- off being processed due to the prescription period.

**The amount included in other revenue arising from exchanges of goods or services are as follows:**

| | | | | |
|---|---|---|---|---|
| Discount received | 1 112 | 1 288 | 1 112 | 1 288 |
| Miscellaneous other income | 15 451 | 20 829 | 15 451 | 20 829 |
| Fees earned | 14 085 | 2 427 | 14 085 | 2 427 |
| Internal recoveries | 5 | 4 | 5 | 4 |
| Utilities provision write off | 72 426 | 60 696 | 72 426 | 60 696 |
| Gain or loss on exchange differences | 6 929 | 3 170 | 6 929 | 3 170 |
| Royalties received | 661 | 1 714 | 661 | 1 714 |
| Sundry income | 7 322 | 3 512 | 7 322 | 3 512 |
| | **117 991** | **93 640** | **117 991** | **93 640** |

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## 22. Other income (continued)

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| **The amount included in other revenue arising from non exchanges of goods or services are as follows:** | | | | |
| Other income FCL take on | - | 18 520 | - | 18 520 |
| Other income - Land and Building | - | 14 218 | - | 14 218 |
| Public contributions and Donations | 15 | 2 138 | - | 2 138 |
| | **15** | **34 876** | **-** | **34 876** |

## 23. Interest income

| | | | | |
|---|---|---|---|---|
| **Interest revenue** | | | | |
| Bank | 540 364 | 306 523 | 539 512 | 305 910 |
| Interest received - other | 68 014 | 78 355 | 68 004 | 78 336 |
| | **608 378** | **384 878** | **607 516** | **384 246** |

## 24. Operating surplus

Operating surplus for the year is stated after accounting for the following:

| | | | | |
|---|---|---|---|---|
| **Operating lease charges** | | | | |
| Premises | | | | |
| • Contractual amounts | 23 042 | 11 783 | 23 023 | 11 783 |
| Motor vehicles | | | | |
| • Contractual amounts | 27 | 6 172 | 27 | 6 172 |
| Equipment | | | | |
| • Contractual amounts | 46 718 | 42 087 | 46 447 | 41 781 |
| | **69 787** | **60 042** | **69 497** | **59 736** |
| Loss on sale of property, plant and equipment | (4 826) | (4 997) | (4 808) | (4 993) |
| Amortisation on intangible assets | 1 443 | (4 242) | 1 443 | (4 242) |
| Depreciation on property, plant and equipment | 141 915 | 152 860 | 141 751 | 153 028 |
| Employee costs | 5 160 788 | 4 559 265 | 5 142 275 | 4 541 783 |

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## 25. Cost of sales

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| Direct employee costs | 4 681 628 | 4 311 896 | 4 667 303 | 4 296 854 |
| Direct depreciation and impairments | 150 591 | 161 231 | 150 533 | 161 235 |
| Direct material expenses | 4 327 180 | 4 679 245 | 4 318 020 | 4 673 755 |
| | **9 159 399** | **9 152 372** | **9 135 856** | **9 131 844** |

## 26. Interest expense

| | | | | |
|---|---|---|---|---|
| Bank | - | 10 | - | 10 |
| Service concession arrangements | - | 108 | - | 108 |
| | **-** | **118** | **-** | **118** |

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**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2024

## 27. Operating expenses

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| Advertising | 2 157 | 1 026 | 2 157 | 1 026 |
| Archiving and storage | 13 754 | 10 192 | 13 754 | 10 192 |
| Auditors remuneration | 4 292 | 10 363 | 4 292 | 10 363 |
| Bad debts written off | 1 943 | 279 | 1 943 | 279 |
| Bank charges | 19 092 | 14 375 | 19 056 | 14 333 |
| Cleaning | 5 483 | 5 815 | 5 481 | 5 814 |
| Computer expenses | 5 023 | 3 679 | 5 019 | 3 630 |
| Conferences and seminars | 1 120 | 1 084 | 1 112 | 1 077 |
| Consulting and professional fees | 32 807 | 48 834 | 32 769 | 48 832 |
| Consumables | 26 579 | 21 153 | 26 526 | 21 136 |
| Contributions to debt Impairment | 949 544 | (880 846) | 959 515 | (871 945) |
| Debt collection | 300 | 1 434 | 300 | 1 434 |
| Delivery expenses | 1 066 | 1 006 | 1 066 | 1 008 |
| Depreciation, amortisation and impairments | (7 233) | (12 612) | (7 339) | (12 449) |
| Discount allowed | 38 968 | 40 110 | 38 968 | 40 110 |
| Employee costs | 479 160 | 247 369 | 474 972 | 244 929 |
| Entertainment | 12 | - | 12 | - |
| Fuel and oil | 30 637 | 21 391 | 30 637 | 21 391 |
| Insurance | 14 396 | 14 526 | 14 396 | 14 526 |
| Legal expenses | 9 944 | 21 926 | 9 944 | 21 926 |
| Lease rentals on operating lease | 50 439 | 50 620 | 50 174 | 50 328 |
| Loss on disposal of assets and liabilities | 4 826 | 4 997 | 4 808 | 4 993 |
| Medical expenses | 2 | 5 | 2 | 5 |
| Minor assets | 10 603 | 7 700 | 10 600 | 7 676 |
| Motor vehicle expenses | 9 725 | 2 433 | 9 725 | 2 433 |
| Other expenses | 13 254 | 2 429 | 13 254 | 2 429 |
| Packaging | 12 103 | 10 070 | 11 649 | 9 985 |
| Postage and courier | 961 | 177 | 961 | 177 |
| Printing and stationery | 57 910 | 50 734 | 57 840 | 50 688 |
| Project Management expenses | - | 7 | - | 7 |
| Promotions | 78 | 78 | 78 | 78 |
| Promotions and sponsorships | 304 | 238 | 304 | 238 |
| Repairs and maintenance | 78 129 | 45 520 | 78 072 | 45 291 |
| Research Trust | 415 | 231 | 415 | 231 |
| Royalties and license fees | 507 | 1 314 | 507 | 1 314 |

National Health Laboratory Service

**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2024

## 27. Operating expenses (continued)

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| Security | 2 390 | 5 456 | 2 390 | 5 456 |
| Software development expenses | 94 959 | 67 800 | 94 959 | 67 800 |
| Software expenses | 160 487 | 189 993 | 160 447 | 189 939 |
| Staff welfare | 9 887 | 8 574 | 9 814 | 8 522 |
| Subscriptions and membership fees | 3 159 | 6 427 | 3 124 | 6 278 |
| Telephone expenses | 39 906 | 52 882 | 39 868 | 52 805 |
| Training | 58 861 | 62 430 | 58 861 | 62 430 |
| Travel - local | 38 052 | 44 100 | 38 051 | 44 097 |
| Travel - overseas | 289 | 168 | 289 | 168 |
| Utilities | 167 652 | 221 168 | 167 652 | 221 168 |
| | **2 443 942** | **406 655** | **2 448 424** | **412 148** |

## 28. Taxation

**Major components of the tax income**

**Deferred**

| | | | | |
|---|---|---|---|---|
| Benefit of unrecognised tax deficit/tax rate temporary difference | 2 976 | (2 926) | - | - |
| | **(860)** | **(2 978)** | **-** | **-** |

**Deferred**

| | | | | |
|---|---|---|---|---|
| Originating and reversing temporary differences | 624 | (52) | - | - |
| | **3 600** | **2 978** | **-** | **-** |

**Reconciliation of the tax expense**

| | | | | |
|---|---|---|---|---|
| Reconciliation between applicable tax rate and average effective tax rate | | | | |
| Nominal tax rate | 27,00 % | 27,00 % | - % | - % |
| Unused tax loss | (27,00)% | - % | - % | - % |
| | **- %** | **27,00 %** | **- %** | **- %** |

National Health Laboratory Service

**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2024

## 29. Employee related costs

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| Basic | 3 657 761 | 3 338 715 | 3 643 952 | 3 325 893 |
| Bonus | 212 213 | 201 830 | 211 337 | 200 976 |
| Defined contribution plans | 401 712 | 183 471 | 400 528 | 182 276 |
| External bursaries | 3 084 | 629 | 3 084 | 629 |
| Leave pay provision charge | 56 128 | 32 774 | 55 886 | 32 620 |
| Long-term benefits - incentive scheme | 4 037 | 4 069 | 4 002 | 4 037 |
| Medical aid - company contributions | 304 236 | 260 809 | 302 924 | 259 702 |
| Other allowances | 255 197 | 315 106 | 255 197 | 315 106 |
| Other short term costs | 160 738 | 141 812 | 160 108 | 141 207 |
| SDL | 57 219 | 43 031 | 57 054 | 42 876 |
| Training | 191 | 485 | 63 | 58 |
| UIF | 17 283 | 16 818 | 17 210 | 16 746 |
| WCA | 30 989 | 19 716 | 30 930 | 19 657 |
| | **5 160 788** | **4 559 265** | **5 142 275** | **4 541 783** |
| Employee costs are split into cost of sales and general expenses as follows: | | | | |
| Cost of sales - employee costs | 4 681 628 | 4 311 896 | 4 667 303 | 4 296 854 |
| General expenses - employee costs | 479 160 | 247 369 | 474 972 | 244 929 |
| | **5 160 788** | **4 559 265** | **5 142 275** | **4 541 783** |

## 30. Auditors' remuneration

| | | | | |
|---|---|---|---|---|
| Fees | 4 292 | 10 339 | 4 292 | 10 339 |
| Expenses | - | 24 | - | 24 |
| | **4 292** | **10 363** | **4 292** | **10 363** |

National Health Laboratory Service

**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2024

## 31. Depreciation and amortisation

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| Depreciation and amortisation - Cost of sales | 150 591 | 161 231 | 150 533 | 161 235 |
| Depreciation and amortisation - General expenses | (7 233) | (12 612) | (7 339) | (12 449) |
| | **143 358** | **148 619** | **143 194** | **148 786** |

## 32. Cash generated from operations

| | | | | |
|---|---|---|---|---|
| Surplus | 1 506 560 | 3 180 266 | 1 503 560 | 3 179 712 |
| **Adjustments for:** | | | | |
| Depreciation and amortisation | 145 956 | 148 619 | 145 153 | 148 949 |
| Loss on sale of assets and liabilities | 4 992 | 5 181 | 4 992 | 5 182 |
| Fair value adjustments | 99 | - | - | - |
| Finance costs - Finance leases | - | - | - | 118 |
| Impairment loss. | - | - | 677 | (119) |
| Debt impairment | 949 544 | (880 846) | 959 515 | (871 945) |
| Movements in retirement benefit assets and liabilities | 47 975 | (145 518) | 47 975 | (145 518) |
| Movements in provisions | (2 873) | (164 523) | (2 873) | (164 523) |
| Movement in Employee benefit | 32 302 | 3 008 | 32 302 | 3 008 |
| Annual charge for deferred tax | (3 476) | (2 978) | - | - |
| Prior periods value adjustment | 5 597 | (831) | (1 315) | - |
| FCL Assets take on | - | (33 562) | - | (33 533) |
| Donation | (15) | - | - | - |
| **Changes in working capital:** | | | | |
| Inventories | 37 103 | 239 762 | 35 033 | 239 532 |
| Receivables from exchange transactions | (1 509 561) | (326 586) | (1 518 288) | (335 010) |
| Receivables from non-exchange transactions | (120 228) | (132 945) | (120 228) | (132 945) |
| Payables from exchange transactions | (79 966) | (199 930) | (73 370) | (202 401) |
| VAT | 83 | (231) | - | - |
| Unspent conditional grants and receipts | (2 310) | 58 227 | (2 310) | 58 227 |
| Payables from non-exchange transactions | (123 056) | - | (123 056) | - |
| | **888 646** | **1 747 113** | **887 767** | **1 748 734** |

National Health Laboratory Service

**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2024

## 33. Tax receivables

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| Balance at beginning of the year | (2 026) | (2 026) | - | - |
| Current tax for the year recognised in surplus or deficit | (2 976) | 2 926 | - | - |
| Balance at end of the year | 2 849 | 2 026 | - | - |
| | **(2 153)** | **2 926** | **-** | **-** |

## 34. Financial instruments disclosure

**Categories of financial instruments**
**Economic entity - 2024**

| | At amortised cost | Total |
|---|---|---|
| | R'000 | R'000 |
| **Financial assets** | | |
| Receivables from exchange transactions | 3 712 189 | 3 712 189 |
| Receivables from non-exchange transactions | 288 040 | 288 040 |
| Cash and cash equivalents | 5 711 261 | 5 711 261 |
| | 9 711 490 | 9 711 490 |
| **Financial liabilities** | | |
| Payables from exchange transactions | 1 055 195 | 1 055 195 |
| Payable from non-exchange transactions | 15 057 | 15 057 |
| | **1 070 252** | **1 070 252** |
| **Economic entity - 2023** | | |
| **Financial assets** | | |
| Trade and other receivables from exchange transactions | 3 152 029 | 3 152 029 |
| Other receivables from non-exchange transactions | 167 812 | 167 812 |
| Cash and cash equivalents | 5 139 368 | 5 139 368 |
| | **8 459 209** | **8 459 209** |
| **Financial liabilities** | | |
| Payables from exchange transactions | 1 135 162 | 1 135 162 |
| Payables from non-exchange transactions | 138 113 | 138 113 |
| | **1 273 275** | **1 273 275** |

National Health Laboratory Service
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for the year ended 31 March 2024

## 34. Financial instruments disclosure (continued)

**Controlling entity - 2024**

| **Financial assets** | **At fair value** | **Total** |
|---|---|---|
| | **R'000** | **R'000** |
| Receivables from exchange transactions | 3 709 713 | 3 709 713 |
| Receivables from non-exchange transactions | 288 040 | 288 040 |
| Cash and cash equivalents | 5 701 992 | 5 701 992 |
| | **9 699 745** | **9 699 745** |

| **Financial liabilities** | **At amortised cost** | **Total** |
|---|---|---|
| Payables from exchange transactions | 1 054 405 | 1 054 405 |
| Payables from non-exchange transactions | 15 057 | 15 057 |
| | **1 069 462** | **1 069 462** |

**Controlling entity - 2023**

| **Financial assets** | **At amortised cost** | **Total** |
|---|---|---|
| Receivables from exchange transactions | 3 150 940 | 3 150 940 |
| Receivables from non-exchange transactions | 167 812 | 167 812 |
| Cash and cash equivalents | 5 130 636 | 5 130 636 |
| | **8 449 388** | **8 449 388** |

| **Financial liabilities** | **At amortised cost** | **Total** |
|---|---|---|
| Payables from exchange transaction | 1 127 775 | 1 127 775 |
| Payable from non-exchange transactions | 138 113 | 138 113 |
| | **1 265 888** | **1 265 888** |

**Financial instruments in Statement of financial performance**

**Economic entity - 2024**

| | **At amortised cost** | **Total** |
|---|---|---|
| Interest income | **608 378** | **608 378** |

**Economic entity - 2023**

| | **At amortised cost** | **Total** |
|---|---|---|
| Interest Income | 384 878 | 384 878 |
| Interest expense | (118) | (118) |
| | **384 760** | **384 760** |

National Health Laboratory Service

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2024

# 34. Financial instruments disclosure (continued)

**Controlling entity - 2024**

| | At amortised cost | Total |
|---|---|---|
| | R'000 | R'000 |
| Interest Income | **607 516** | **607 516** |

**Controlling entity - 2023**

| | At amortised cost | Total |
|---|---|---|
| Interest Income | 384 246 | 384 246 |
| Interest expense | (118) | (118) |
| | **384 128** | **384 128** |

# 35. Commitments

**Authorised capital expenditure**

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| **Already contracted for but not provided for** | | | | |
| • Property, plant and equipment | **1 791 897** | **45 986** | **1 791 897** | **45 986** |
| **Not yet contracted for and authorised by members** | | | | |
| • Property, plant and equipment | **32 475** | **782 033** | **32 472** | **782 033** |
| **Total capital commitments** | | | | |
| Already contracted for but not provided for | 1 791 897 | 45 986 | 1 791 897 | 45 986 |
| Not yet contracted for and authorised | 32 475 | 782 033 | 32 472 | 782 033 |
| | **1 824 372** | **828 019** | **1 824 369** | **828 019** |

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated.

**Operating leases - as lessee (expense)**

**Minimum lease payments due**

| | | | | |
|---|---|---|---|---|
| - within one year | **-** | **682** | **-** | **682** |

Operating lease payments represent rentals payable by the economic entity for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

National Health Laboratory Service

**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2024

## 36. Contingencies

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| **Claims lodged for damages:** | | | | |
| 605 Consulting matter | - | 17 383 | - | 17 383 |
| Drive Control Corporation matter | 37 473 | 37 473 | 37 473 | 37 473 |
| Ms. B Mnguni | 4 800 | 4 800 | 4 800 | 4 800 |
| Mr. W.P Msimanga | - | 3 000 | - | 3 000 |
| Ms. S. Fortuin | - | 328 | - | 328 |
| Diana Mabasa Incorporated | - | 235 | - | 235 |
| South African Medical Association on behalf of Dr Z. | - | 178 | - | 178 |
| Rapid IT Solution | 432 | 432 | 432 | 432 |
| S Dubazane | - | - | - | - |
| H Molotsi | 1 759 | 1 759 | 1 759 | 1 759 |
| M H Bajinath | 181 | 181 | 181 | 181 |
| Bakuthi Trading CC | 252 | 252 | 252 | 252 |
| G Mathebula | 188 | 1 700 | 188 | 1 700 |
| Z Phasha | - | 237 | - | 237 |
| Frederikcs | - | - | - | - |
| G Sethosa | - | - | - | - |
| Seadira | - | - | - | - |
| Masegare & Associates | 250 | - | 250 | - |
| G De Gita | - | - | - | - |
| Rammusa Mamogobola | - | - | - | - |
| Sinovuyo Guma | 5 000 | - | 5 000 | - |
| Silindile Dludla | - | - | - | - |
| L Gqwetha | - | - | - | - |
| S L Jack | 632 | 632 | 632 | 632 |
| S Mohammed | 2 950 | 2 950 | 2 950 | 2 950 |
| Hospersa on behalf of Molusi | 104 | 104 | 104 | 104 |
| Nehawu obo Tshoana Matlale | 671 | - | 671 | - |
| | **54 692** | **71 644** | **54 692** | **71 644** |

National Health Laboratory Service
**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**
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## 36. Contingencies (continued)

**Gezani Mathebula**

There is a labour matter between and employee and the NHLS for an amount of R0.188 million. NHLS awaits a set down date at the Labour Court in this matter. The outcome of the matter will be dependent upon the court ruling.

**Mr Mukesh Haripersad Baijnath**

There is a labour matter between a former employee (Mr Baijnath) and the NHLS for an amount of R 0.181 milion. The matter has been referred back to the CCMA by the Judge. The outcome of the matter will be dependent upon the ruling at the CCMA.

**Happy Molotsi**

There is a labour matter between a former employee (Ms. H Molotsi) and the NHLS to side aside the arbitration award of R1.759 million in retrospective salary. The matter is now awaiting allocation of a hearing date, and the outcome will be dependent on the court ruling.

**Rapid IT Solutions**

There is a matter between the NHLS and Rapid IT Solutions where Rapid IT Solutions issued summons against the NHLS claiming breach of contract. The plaintiff has filed its amended particulars of claim amounting to R 0.432 million. Both parties await a trial date.

**Marcia Fredericks**

This is a review application to review the arbitration award, whereby the possible amount payable may be the employee's salary if re-instated. The Labour Court dismissed the review application, and the applicant has not filed an application for leave to appeal.

**Grace Sethosa**

This is a labour matter between Ms. Sethosa and the NHLS. A review application was brought by Ms Grace Sethosa, a former employee, to review and set aside an arbitration award. The possible amount payable may be the employee's salary if re-instated; the matter is awaiting the allocation of a date for hearing

**Gloria De Gita**

This is a labour matter between Ms. De Gita and the NHLS. A review application brought by Ms. De Gita to review and set aside an arbitration award. Parties have filed heads of argument, and the matter will be set down for hearing. The possible amount payable by the NHLS may be the employee's salary if re-instated.

**Silindile Dludla**

This is a labour matter between Ms. Dludla and the NHLS. Ms. Dludla filed a review application against the NHLS, and it's been opposed by the NHLS. Parties have filed all pleadings and are in the process of filing heads of argument. The outcome of the matter will depend on the court ruling. Ms. Dludla is claiming reinstatement and/ or payment of a salary retrospectively.

**Sayed Mohamed**

This is a matter between Mohamed and the NHLS where Mohamed is suing the NHLS for R2.95 million. The NHLS is defending the matter.

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## 36. Contingencies (continued)

**Seadira**

This is a labour matter between Ms. Seadira and the NHLS. The possible amount payable by the NHLS may be the employee's salary if re-instated.

**Mukesh Haripersad Baijnath**

There is a labour matter between an employee and the NHLS for an amount of R0.181 million. The matter was heard at the CCMA, and parties await the CCMA award.

**Drive Control Corporation**

There is another matter between Drive Control and the NHLS, where the NHLS is being sued for an amount of R37.5 million as a result of an alleged breach of contract.

**Bongiwe Mnguni**

There is also another matter between Ms B Mnguni and the NHLS, where the NHLS is being sued for personal injury against the NHLS which amounts to R4.8 million.

**Bakuthi Trading cc**

There is also another matter between Bakuthi Trading CC where the NHLS, is being sued for an amounts of R0.252 million.

**Sinovuyo**

Sinovuyo Guma instituted action proceedings against the Department of Health, Eastern Cape for damages in the amount of R5 million. NHLS was cited as the third respondent on the matter. Outcome will be dependent on a court ruling.

**Lungisa Gqweta**

This is a labour matter between Gqweta and NHLS. Parties await a set date at the Labour Court. The outcome will be dependent on a court ruling. The possible amount payable by the NHLS may be the employee's salary if re-instated.

**Dubuzana**

This is a labour matter between a former employee, Ms. Dubuzana and the NHLS. This is a review application. Should the employee be successful, the employee could be paid an amount equal to their salary if re-instated.

**Masegare & Associates**

Masegare & Associates served the NHLS with a notice in terms of Section 3 (1) of the Institution of Legal Proceedings against an Organ of State Act. Parties are to engage in discussions in an attempt to settle this matter.

**Solidarity obo BJ Mellor**

There is a matter at the Labour Court regarding implementation of or wage demands. The amount is yet to be determined, and is not known at this stage.

**NEHAWU OBO Sindi Mathebula and 10 Other.**

This is a review. The possible amounts payables equal to 24 months remuneration to each employee.

National Health Laboratory Service
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## 36. Contingencies (continued)

**S L Jack**

There is also another matter between S L Jack and the NHLS, where the NHLS is being sued for an amount of R 0.6 million and the matter is still under review.

**S Mohamed**

There is also another matter between S Mohamed and the NHLS, where S Mohamed issued the letter of demand against the NHLS for alleged medical negligence for an amount of R 2.95 million. The NHLS is defending the matter in High Court.

**Hospera on behalf of Molusi**

There is also another matter between Hospera on behalf of Molusi and NHLS, where Molusi was dismissed for gross negligence and gross insubordination and refereed the matter to the CCMA and the NHLS was ordered to pay R 0.1 million. The NHLS has taken the matter for review application at the Labour Court Nehawu obo Tshoana Matlale.

There is a labour matter between Nehawu obo Tshoana. Parties have exchanged the pleadings and filed heads of arguments. Parties await for the first respondent to serve and file their heads of argument. Arbitration award. R.671 million.

**Rammusa Mamogobola**

There is a labour matter between NHLS and Mamogobola. NHLS will reply to the objection to the condonation application and parties will thereafter file heads of argument and set the application for condonation down. Compensation for the alleged discrimination is to be determined by the Court.

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| **Contingent assets** | | | | |
| Marian Madfaslina Lloyd Jansen Van Vuureen | 1 630 | 1 630 | 1 630 | 1 630 |
| Prof Wade | - | 18 283 | - | 18 286 |
| Hamilton Ndlovu | 159 156 | 159 156 | 159 156 | 159 156 |
| Scriprofs (Pty) Ltd | 2 042 | - | 2 042 | - |
| | **162 828** | **179 069** | **162 828** | **179 072** |

There is a matter between the NHLS and Mariana Madfaslina Lloyd Jansen Van Vuuren where the NHLS is claiming the amount of R1.6 million from an ex employee as a result of breach of contract.

There is a matter between the NHLS and Prof Wade where the NHLS is claiming R18.2 million.

There is a matter between the NHLS and Hamilton Ndlovu where Hamilton Ndlovu is liable to pay the NHLS R159.2 million.

There is a matter between the NHLS and Scriprofs (Pty) Ltd , Scriprofs (Pty)Ltd is liable to pay an amount of R2.04 million to NHLS.

National Health Laboratory Service

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## 37. Related parties

**Relationships**

| | |
|---|---|
| Members | Refer to board members emoluments note 38 |
| Ultimate controlling entity | National Department of Health |
| Controlled entities | South African Vaccine Producers (Pty)Ltd |
| Entities under common control | South African Health Product Regulatory Authority (SAHPRA) |
| | Council for Medical Schemes (CMS) |
| | Office of Health Standards Compliance (OHSC) |
| | South African Medical Research Council (SAMRC) |
| | Health Professions Council of South Africa (HPCSA) |
| | South African Nursing Council (SANC) |
| Management entity providing key management services | Refer to Key management emoluments Note 38 |

| **Economic entity** | **2024** | **2023** |
|---|---|---|
| | **R'000** | **R'000** |
| **Related party balances** | | |
| **Loan accounts to controlled entity** | | |
| South African Vaccine Producers (Pty)Ltd | 53 771 | 43 773 |
| **Impairment of loan to controlled entity** | | |
| South African Vaccine Producers (Pty) Ltd | (53 176) | (43 773) |
| | | |
| **Economic and Controlling entity** | | |
| **Related party transanctions** | | |
| **Revenue - Grants and Subsidiary** | | |
| National Department of Health | 706 425 | 772 521 |
| **Employee Related Expenses** | | |
| South Africa Vaccine Producers (Pty) Ltd | 18 511 | 17 419 |

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## 38. Key Management and Board members' emoluments

**Non-Executive**

**2024**

| | Committees fees | Total |
|---|---|---|
| | R'000 | R'000 |
| * Dr Mahlane Kenneth Phalane | - | - |
| * Dr Lesley Bamford | - | - |
| * Mr Koena Joseph Nkoko | - | - |
| * Mrs Nicolene van der Westhuizen | - | - |
| * Ms Thandi Msimango | - | - |
| * Prof Mpho Klass Kgomo | - | - |
| Dr Naledzani Ramalivhana | 33 | 33 |
| Dr Siseko Martin | 95 | 95 |
| Mr Jonathan Mallett | 157 | 157 |
| Mr Nick Buick | 50 | 50 |
| Ms Nyameka Macanda | 80 | 80 |
| Prof Eric Buch (Chairperson) | 379 | 379 |
| Prof Jeffrey Mphahlele (Vice Chairperson) | 140 | 140 |
| Prof Michael Sachs | 123 | 123 |
| Prof Thanyani Mariba | 153 | 153 |
| Prof Tivani Mashamba-Thompson | 114 | 114 |
| | **1 324** | **1 324** |

**2023**

| | | |
|---|---|---|
| * Dr Lesley Bamford | - | - |
| * Dr Balekile Mzangwa (Contract ended on 18 January 2023) | - | - |
| * Dr Mahlane Kenneth Phalane | - | - |
| * Mrs Nicolene van der Westhuizen | - | - |
| * Mr Koena Joseph Nkoko | - | - |
| * Prof Mpho Klass Kgomo | - | - |
| Dr Naledzani Ramalivhana | - | - |
| Dr Siseko Martin | 81 | 81 |
| Mr Jonathan Mallett | 84 | 84 |
| Mr Nick Buick | - | - |
| Ms Thandi Msimango | - | - |
| Ms Nyameka Macanda | 46 | 46 |
| Prof Eric Buch (Chairperson) | 183 | 183 |
| Prof Jeffrey Mphahlele (Vice Chairperson) | 116 | 116 |
| Prof Tivani Mashamba-Thompson | 81 | 81 |
| Prof Thanyani Mariba | 108 | 108 |
| Prof Michael Sachs | 105 | 105 |
| | **804** | **804** |

*Members do not receive board emoluments as they are employed by the state.

## 38. Key Management and Board members' emoluments (continued)

**Key Management**
**2024**

| | Salaries | Retirement Contribution | Medical Contribution | Expense Allowance | Other * | Total |
|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Dr K. Chetty (Chief Executive Officer) till 31 March 2024 | 2 789 | 244 | - | 30 | 32 | 3 095 |
| Dr C.E.M. Oliphant (Chief Operations Officer: Strategic Initiatives from February 2023) | 2 099 | 184 | - | 3 | 25 | 2 311 |
| Ms P Mayekiso (Chief Financial Officer) | 2 036 | 184 | 63 | - | 25 | 2 308 |
| Adv M.M. Mphelo (Company Secretary until 30 September 2023) | 1 347 | 95 | - | - | 16 | 1 458 |
| Mr S.T. Hlongwane (Chief Information Officer) | 1 982 | 185 | 133 | - | 25 | 2 325 |
| Dr S.M. Kgalamono (NIOH Director until 31 July 2023, Acting NIOH Director from 1 August 2023) | 2 467 | 250 | 93 | 3 | 30 | 2 843 |
| Prof K.P. Mlisana (AARQA Executive) | 2 517 | 236 | 185 | 3 | 31 | 2 972 |
| Ms M. Mkhwanazi (Executive Human Resources) | 2 314 | 212 | 107 | - | 29 | 2 662 |
| Prof A.J. Puren (NICD Director) | 2 312 | 248 | 159 | 3 | 29 | 2 751 |
| Ms VM Gabalashane (Acting Company Secretary from 1 December to 31 March 2024) | 527 | 51 | 25 | 2 | 7 | 612 |
| | **20 390** | **1 889** | **765** | **44** | **249** | **23 337** |

*Other payments include company contributions for skills development, UIF, expense recoveries and long service awards.

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## 38. Key Management and Board members' emoluments (continued)

**2023**

| | Salaries | Retirement Contribution | Medical Contribution | Expense Allowance | Other* | Total |
|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Dr K. Chetty (Chief Executive Officer) | 2 653 | 231 | - | 42 | 29 | 2 955 |
| Dr C.E.M. Oliphant (Chief Operations Officer: Strategic Initiatives from February 2023) | 287 | 28 | - | 3 | 4 | 322 |
| Mr M.J. Shai (Acting Chief Financial Officer from 01 January 2021 until 30 April 2023) | 178 | - | - | - | 2 | 180 |
| Ms P Mayekiso (Acting Chief Financial Officer from May 2022, Chief Financial Officer 01 January 2023) | 1 275 | 104 | 47 | - | 17 | 1 443 |
| Adv M.M. Mphelo (Company Secretary) | 2 150 | 187 | - | - | 26 | 2 363 |
| Mr S.T Hlongwane (Chief Information) | 1 894 | 175 | 165 | - | 23 | 2 257 |
| Dr S.M. Kgalamano (NIOH Director) | 2 169 | 238 | 82 | 3 | 27 | 2 519 |
| Prof K.P. Mlisana (AARQA Executive) | 2 388 | 222 | 158 | 3 | 30 | 2 801 |
| Ms M. Mkhwanazi Executive: Human Resource 01 January 2021) | 2 119 | 192 | 85 | - | 27 | 2 423 |
| Prof A.J. Puren (NICD Director) | 2 181 | 230 | 129 | 3 | 27 | 2 570 |
| Ms Saffer (SAVP Director up to 30 November 2022) | 777 | 51 | - | - | 11 | 839 |
| | **18 071** | **1 658** | **666** | **54** | **223** | **20 672** |

**Service contracts**

Prescribed officers are subject to written employment agreements. The employment agreements regulate duties, remuneration, allowances, restraints, leave and notice periods of these executives. None of these service contracts exceed five years.

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# 39. Risk management

### Financial risk management

NHLS's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

NHLS overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the economic entity's financial performance. Risk management is carried out by a central Treasury department under policies approved by the accounting authority. Economic entity treasury identifies and evaluates financial risks in close cooperation with the NHLS' operating units. The accounting authority provides written principles for overall risk management as well as written policies covering specific areas, such as interest rate risk, credit risk, and investment of excess liquidity.

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the economic entity treasury maintains flexibility in funding by maintaining the availability of funds under short-term investments. At year- end the investment in short-term deposits amounted to R5.6 billion (2023: R5,1 billion).

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. NHLS manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the economic entity's financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| **Economic entity**<br>**At 31 March 2024** | **Less than 1 year** | **Between 1 and 2 years** |
|---|---|---|
| | **R'000** | **R'000** |
| Payables from exchange transactions | 1 055 195 | - |
| Payables from non-exchange transactions | 15 057 | - |
| **At 31 March 2023** | | |
| Payables from exchange transactions | 1 135 162 | - |
| Payables from non-exchange transactions | 138 113 | - |
| **Controlling entity** | | |
| **At 31 March 2024** | | |
| Payables from exchange transactions | 1 054 405 | - |
| Payables from non-exchange transactions | 15 057 | - |
| **At 31 March 2023** | | |
| Payables from exchange transactions | 1 127 775 | - |
| Payables from non-exchange transactions | 138 113 | - |

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## 39. Risk management (continued)

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Concentrations of credit risk with respect to trade receivables are limited due to the majority of receivables being owned by government departments. However, due to the current payment disputes with the KwaZulu-Natal Provincial Department of Health and Gauteng Department of Health, a total doubtful debt allowance of R4.0 billon (2023: R4.7billon) has been raised for these departments. Trade receivables are interest bearing and are generally on 30-day payment terms. All interest on overdue debt has been provided for in full due to various communications received from the relevant government departments indicating they will not be in a position to honour the additional interest owed to NHLS.

### Market risk

### Interest rate risk

The NHLS's significant interest-bearing assets are cash and cash equivalents where interest is earned at market rates. The accounts are held with reputable financial institutions in line with the PFMA. Any market changes would not significantly affect the entity's income and operating cash flows.

## 40. Irregular expenditure/Fruitless and Wasteful Expenditure

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| Irregular Expenditure | 518 528 | 705 007 | 518 528 | 705 007 |
| Fruitless and Wasteful expenditure | - | 118 | - | 118 |

Irregular expenditure incurred was a result of non-compliance with various SCM prescripts. Management will conduct a determination test for irregular expenditure incurred in line with National Treasury prescripts.

## 41. Segment information

### General information

### Identification of segments

The reportable segments comprise Laboratory Services, the National Institute of Communicable Diseases (NICD), the National Institute of Occupational Health (NIOH), the Forensic Chemistry Laboratory (FCL) and South African Vaccine Products (SAVP). The segments have been identified per the primary functions. The segment in relation to Laboratory Services is the aggregation of Programme 1: Laboratory Services, Programme 2: Academic Affairs, Research and Quality and Programme 6: Administration which are the support functions. The remainder of the segments are the national public institutes and the subsidiary SAVP. Management uses these same segments for determining strategic objectives.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

## 41. Segment information (continued)

### Segment surplus or deficit, assets and liabilities

Economic entity - 2024

| Revenue | Laboratory Service | NIOH | NICD | FCL | SAVP | Total |
|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Revenue from non-exchange transactions | 414 215 | 81 275 | 250 574 | 143 828 | - | 889 892 |
| Revenue from exchange transactions | 11 419 971 | 24 431 | 28 038 | - | 24 863 | 11 497 303 |
| Other income | 117 551 | 287 | 153 | - | 68 | 118 059 |
| Interest received | 575 976 | 8 021 | 21 307 | 2 213 | 862 | 608 379 |
| **Total segment revenue** | **12 527 713** | **114 014** | **300 072** | **146 041** | **25 793** | **13 113 633** |
| **Entity's revenue** | | | | | | **13 113 633** |
| **Expenditure** | | | | | | |
| Cost of sales | 8 376 157 | 127 604 | 331 940 | 149 590 | 23 517 | 9 008 808 |
| Operating expenses | 2 351 401 | 11 328 | 65 458 | 17 583 | 5 405 | 2 451 175 |
| Depreciation and amortisation | 133 751 | 2 994 | 12 072 | (5 623) | 162 | 143 356 |
| Taxation | - | - | - | - | 3 600 | 3 600 |
| **Total segment expenditure** | **10 861 309** | **141 926** | **409 470** | **161 550** | **32 684** | **11 606 939** |
| **Total segmental surplus** | | | | | | **1 506 694** |

## 41. Segment information (continued)

**Economic entity - 2023**

| Revenue | Laboratory Service (R'000) | NIOH | NICD (R'000) | FCL (R'000) | SAVP (R '000) | Total |
|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Revenue from non-exchange transactions | 546 337 | 91 608 | 282 430 | 138 400 | - | 1 058 775 |
| Revenue from exchange transactions | 11 094 665 | 23 601 | 34 019 | - | 11 979 | 11 164 264 |
| Other income | 107 048 | 1 122 | 1 826 | 18 520 | - | 128 516 |
| Interest received | 349 630 | 7 604 | 23 721 | 3 291 | 633 | 384 879 |
| **Total segment revenue** | **12 097 680** | **123 935** | **341 996** | **160 211** | **12 612** | **12 736 434** |
| **Entity's revenue** | | | | | | **12 736 434** |
| | | | | | | |
| **Expenditure** | | | | | | |
| Cost of sales | 8 391 719 | 124 252 | 337 587 | 117 043 | 20 540 | 8 991 141 |
| Operating expenses | 349 512 | 10 991 | 27 315 | 15 110 | 3 727 | 406 655 |
| Depreciation and amortisation | 130 539 | 5 007 | 17 017 | (3 780) | (164) | 148 619 |
| Interest expense | 118 | - | - | - | - | 118 |
| Taxation | - | - | - | - | (2 956) | (2 956) |
| **Total segment expenditure** | **8 871 888** | **140 250** | **381 919** | **128 373** | **21 147** | **9 543 577** |
| **Total segmental surplus** | | | | | | **3 192 857** |

### Measurement of segment surplus or deficit, assets and liabilities

**Basis of accounting for transactions between reportable segments**

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

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# 42. Budget differences

**Material differences between budget and actual amounts**

The budget was prepared on an accruals basis covering the financial year ended 31 March 2024. The variances between budget and actual which are numerically above R100 million budget are explained below:

## 42.1. Rendering of services

The variance is caused by an unanticipated change in the number of tests from the levels anticipated during the budget period.

## 42.2. Interest received

Interest received was more than antipated mainly due to the interest earned on the bank balances. The increase is also attributable to the repo rate/interest rate increases by the Reserve Bank.

## 42.3. Goverment grants and subsidies

Goverment grants were reduced after the approval of the budget.

## 42.4. Personnel

The variance is caused by vacancies being mainly not filled due to cost containment measures that were implemented by NHLS.

## 42.5. Debt impairment

The variance is driven by the amount that is owed by the provinces for a prolonged period.

## 42.6. General expenses

The underspent is mainly driven by cost containment measures implemented by NHLS.

## 42.7. Grant recognised income

The Grant recognised income was not budgeted in the year under review the anticipated grant funding cannot be reliably estimated as the funding depends on application approvel from the grantors.

## 42.8. Depreciation and amortisation

Actual amount of depreciation and amortisation expense is less than budget due to revaluation of assets and other assets being impaired.

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## 43. Change in estimate

**Property, plant and equipment**

Management reviewed and extended the useful lives of certain assets with one to three years. The effect of this revision is a decrease in the depreciation charges for the current period by R89.5 million for the controlling entity and R89.7 million for the economic entity.

The effect in future periods is not disclosed because estimating it is impracticable.

## 44. Lease rentals on operating lease

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| **Premises** | | | | |
| Contractual amounts | 23 042 | 11 783 | 23 023 | 11 783 |
| **Motor vehicles** | | | | |
| Contractual amounts | 27 | 6 172 | 27 | 6 172 |
| **Equipment** | | | | |
| Contractual amounts | 46 718 | 42 087 | 46 447 | 41 781 |
| | **69 787** | **60 042** | **69 497** | **59 736** |

## 45. Events after the reporting date

In September 2024, the Labour Court issued a judgement in the matter between Ms J Mogale and the estate of Mr S Z Zulu. This case was still pending at the reporting date. The order in the judgement was as follows: in respect of DV 8 Ms Mogale and Mr Zulu's estate are jointly liable to pay R342 545 (by both J Mogale and Mr Zulu). In respect of Afrirent, Ms Mogale is liable and has to pay the NHLS the total amount of R22 135 346.70. Ms J Mogale subsequently lodged an appeal, which was dismissed by the Labour Court in October 2024.

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## 46. Prior periods errors

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments, and reclassifications:

1. In the current financial year, management discovered that accruals amounting to R53.8 million relating to maintenance and licenses- software were erroneously omitted in the 2022-2023 financial year. This has been retrospectively corrected.
2. In the current year, management discovered that grants income recognised of R286.3 million and teaching income of R94.0 million was incorrectly classified and disclosed as other income instead of Revenue in previous financial years. Management has re-classified the comparative figures of both Grants Income Recognised and Teaching Income as Revenue in order to comply with GRAP 23. There is no impact on the surplus that was reported previously as a result of this re-classification.
3. During the year it was discovered that debtors with credit balances amounting to R138 million originating from receivables from non-exchange transactions were previously erroneously disclosed as Payables from exchange transactions instead of Payables from non-exchange transactions. This error has been corrected in the comparisons.
4. During the current financial year, management discovered that Living Resources were erroneously previously classified and reported as biological assets instead of Living Resources (GRAP 110). Consequently, management retrospectively adjusted the cost, accumulated depreciation, and depreciation for Living Resources. Take-on values for all living resources donated before 1 April 2021 were based on Fair Values of the living resources as of 1 April 2021.

### Statement of financial position

| **Economic entity - 2023** | **Note** | **As previously reported** | **Correction of error** | **Reclassification** | **Restated** |
|---|---|---|---|---|---|
| | | **R'000** | **R'000** | **R'000** | **R'000** |
| Payables from exchange transactions | *15* | 1 219 488 | 53 787 | (138 113) | 1 135 162 |
| Payables from non-exchange transactions | *27* | - | - | 138 113 | 138 113 |
| Accumulated Surplus | *22* | 7 157 337 | (53 834) | - | 7 103 597 |
| Bioligical assets that form part of an agricultural activity | *27* | 61 | (61) | - | - |
| Living resources | *28* | - | 108 | - | 108 |
| **Surplus for the year** | | **8 376 886** | **-** | **-** | **8 376 980** |

| **Controlling entity - 2023** | **Note** | **As previously reported** | **Correction of error** | **Reclassification** | **Restated** |
|---|---|---|---|---|---|
| | | **R'000** | **R'000** | **R'000** | **R'000** |
| Payable from exchange transactions | *25* | 1 212 103 | 53 787 | (138 113) | 1 127 775 |
| Payables from non-exchange transactions | *15* | - | - | 138 113 | 138 113 |
| Accumulated Surplus | *22* | 7 141 925 | (53 787) | - | 7 088 139 |
| **Surplus for the year** | | **8 354 028** | **-** | **-** | **8 354 135** |

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## 46. Prior periods errors (continued)

### Statement of Financial Performance

| Economic entity - 2023 | Note | As previously reported | Correction of error | Reclassification | Restated |
|---|---|---|---|---|---|
| | | R'000 | R'000 | R'000 | R'000 |
| Revenue | 21 | 11 842 711 | - | 380 328 | 12 223 039 |
| Other Income | 22 | 508 844 | - | (380 328) | 128 516 |
| Operating expenses | 27 | (352 868) | (53 787) | - | (406 655) |
| Cost of sales | 27 | 9 152 358 | 14 | - | 9 152 372 |
| **Surplus (deficit) for the year** | | **21 151 045** | **(53 773)** | **-** | **21 097 272** |

| Controlling entity - 2023 | Note | As previously reported | Correction of error | Reclassification | Restated |
|---|---|---|---|---|---|
| | | R'000 | R'000 | R'000 | R'000 |
| Revenue | 21 | 11 830 732 | - | 380 328 | 12 211 060 |
| Other Income | 22 | 508 844 | - | (380 328) | 128 516 |
| Operating expenses | 27 | (358 363) | (53 787) | - | (412 148) |
| **Surplus (deficit) for the year** | | **11 981 213** | **(53 787)** | **-** | **11 927 428** |

## 47. Revaluation reserve

| | Economic entity | | Controlling entity | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | R'000 | R'000 | R'000 | R'000 |
| Opening balance | 654 919 | 654 919 | 654 919 | 654 919 |
| Change during the year | (72 714) | - | (72 714) | - |
| | **582 205** | **654 919** | **582 205** | **654 919** |

## 48. Depreciation and amortisation

| | | | | |
|---|---|---|---|---|
| Property, plant and equipment | 141 915 | 152 860 | 141 751 | 153 028 |
| Intangible assets | 1 443 | (4 242) | 1 443 | (4 242) |
| | **143 358** | **148 618** | **143 194** | **148 786** |

## 49. Government grants & subsidies

| | | | | |
|---|---|---|---|---|
| **Operating grants** | | | | |
| Government grant | 706 425 | 772 521 | 706 425 | 772 521 |

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# DETAILED INCOME STATEMENT

| | Note (s) | Economic entity | | Controlling entity | |
|---|---|---|---|---|---|
| | | 2024 | 2023 * Restated | 2024 | 2023 * Restated |
| | | R'000 | R'000 | R'000 | R'000 |
| **Revenue** | | | | | |
| Sale of goods | | 24 863 | 11 979 | - | - |
| Rendering of services | | 11 472 440 | 11 152 285 | 11 472 440 | 11 152 285 |
| Government grants & subsidies | 49 | 706 425 | 772 521 | 706 425 | 772 521 |
| Teaching income | | 183 468 | 286 254 | 183 468 | 286 254 |
| | | **12 387 196** | **12 223 039** | **12 362 333** | **12 211 060** |
| **Cost of sales** | | | | | |
| Opening stock | | (590 357) | (829 830) | (590 197) | (829 729) |
| Purchases | | 34 885 | 239 473 | 35 033 | 239 532 |
| Cost of manufactured goods | | (9 159 399) | (9 152 372) | (9 135 856) | (9 131 844) |
| Closing stock | | 555 472 | 590 357 | 555 164 | 590 197 |
| | 25 | **(9 159 399)** | **(9 152 372)** | **(9 135 856)** | **(9 131 844)** |
| **Gross surplus** | | **3 227 797** | **3 070 667** | **3 226 477** | **3 079 216** |
| **Other income** | | | | | |
| Administration and management fees received | | 15 451 | 20 829 | 15 451 | 20 829 |
| Fees earned | | 14 085 | 2 427 | 14 085 | 2 427 |
| Royalties received | | 661 | 1 714 | 661 | 1 714 |
| Discount received | | 1 112 | 1 288 | 1 112 | 1 288 |
| Recoveries | | 72 431 | 60 700 | 72 431 | 60 700 |
| Sundry income | | 7 322 | 3 512 | 7 322 | 3 512 |
| Other Income - FCL takeon | | - | 18 520 | - | 18 520 |
| Other Income - Land and Building | | - | 14 218 | - | 14 218 |
| Interest received | 23 | 608 378 | 384 878 | 607 516 | 384 246 |
| Government grants | | 15 | 2 138 | - | 2 138 |
| Loss on exchange differences | | 6 929 | 3 170 | 6 929 | 3 170 |
| | | **726 384** | **513 394** | **725 507** | **512 762** |
| **Expenses* (Refer to pages 240-241)** | | **(2 443 942)** | **(406 655)** | **(2 448 424)** | **(412 148)** |
| **Operating surplus** | 24 | **1 510 239** | **3 177 406** | **1 503 560** | **3 179 830** |
| Finance costs | 26 | - | (118) | - | (118) |
| Fair value adjustments | | (99) | - | - | - |
| | | **(99)** | **(118)** | **-** | **(118)** |
| **Surplus before taxation** | | **1 510 140** | **3 177 288** | **1 503 560** | **3 179 712** |
| Taxation | 28 | 3 600 | (2 978) | - | - |
| **Surplus for the year** | | **1 506 540** | **3 180 266** | **1 503 560** | **3 179 712** |

* The supplementary information presented is not audited and does not form part of the consolidated annual financial statements.

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# DETAILED INCOME STATEMENT

| | Note (s) | Economic entity | | Controlling entity | |
|---|---|---|---|---|---|
| | | 2024 | 2023 * Restated | 2024 | 2023 * Restated |
| | | R'000 | R'000 | R'000 | R'000 |
| **Operating expenses** | | | | | |
| Advertising | | 2 157 | 1 026 | 2 157 | 1 026 |
| Archiving and storage | | 13 754 | 10 192 | 13 754 | 10 192 |
| Auditors remuneration | *30* | 4 292 | 10 363 | 4 292 | 10 363 |
| Bad debts written off | | 1 943 | 279 | 1 943 | 279 |
| Bank charges | | 19 092 | 14 375 | 19 056 | 14 333 |
| Cleaning | | 5 483 | 5 815 | 5 481 | 5 814 |
| Computer expenses | | 5 023 | 3 679 | 5 019 | 3 630 |
| Conferences and seminars | | 1 120 | 1 084 | 1 112 | 1 077 |
| Consulting and professional fees | | 32 807 | 48 834 | 32 769 | 48 832 |
| Consumables | | 26 579 | 21 153 | 26 526 | 21 136 |
| Debt Impairment | | 949 544 | (880 846) | 959 515 | (871 945) |
| Debt collection | | 300 | 1 434 | 300 | 1 434 |
| Delivery expenses | | 1 066 | 1 006 | 1 066 | 1 008 |
| Depreciation, amortisation and impairments | | (7 233) | (12 612) | (7 339) | (12 449) |
| Discount allowed | | 38 968 | 40 110 | 38 968 | 40 110 |
| Employee costs | | 479 160 | 247 369 | 474 972 | 244 929 |
| Entertainment | | 12 | - | 12 | - |
| IT expenses | | 9 944 | 21 926 | 9 944 | 21 926 |
| Insurance | | 14 396 | 14 526 | 14 396 | 14 526 |
| Lease rentals on operating lease | | 50 439 | 50 620 | 50 174 | 50 328 |
| Loss on disposal of assets | | 4 826 | 4 997 | 4 808 | 4 993 |
| Medical expenses | | 2 | 5 | 2 | 5 |
| Minor assets | | 10 603 | 7 700 | 10 600 | 7 676 |
| Motor vehicle expenses | | 9 725 | 2 433 | 9 725 | 2 433 |
| Other expenses | | 13 254 | 2 429 | 13 254 | 2 429 |
| Packaging | | 12 103 | 10 070 | 11 649 | 9 985 |
| Petrol and oil | | 30 637 | 21 391 | 30 637 | 21 391 |
| Postage | | 961 | 177 | 961 | 177 |
| Printing and stationery | | 57 910 | 50 734 | 57 840 | 50 688 |
| Project Mananagement expenses | | - | 7 | - | 7 |
| Promotions | | 78 | 78 | 78 | 78 |
| Promotions and sponsorships | | 304 | 238 | 304 | 238 |
| Protective clothing | | 94 959 | 67 800 | 94 959 | 67 800 |
| Repairs and maintenance | | 78 129 | 45 520 | 78 072 | 45 291 |
| Research Trust | | 415 | 231 | 415 | 231 |
| Royalties and license fees | | 507 | 1 314 | 507 | 1 314 |

* The supplementary information presented is not audited and does not form part of the consolidated annual financial statements.

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## DETAILED INCOME STATEMENT

| | Note (s) | Economic entity | | Controlling entity | |
|---|---|---|---|---|---|
| | | 2024 | 2023 * Restated | 2024 | 2023 * Restated |
| | | R'000 | R'000 | R'000 | R'000 |
| Security | | 2 390 | 5 456 | 2 390 | 5 456 |
| Software expenses | | 160 487 | 189 993 | 160 447 | 189 939 |
| Staff welfare | | 9 887 | 8 574 | 9 814 | 8 522 |
| Subscriptions | | 3 159 | 6 427 | 3 124 | 6 278 |
| Telephone and fax | | 39 906 | 52 882 | 39 868 | 52 805 |
| Training | | 58 861 | 62 430 | 58 861 | 62 430 |
| Travel - local | | 38 052 | 44 100 | 38 051 | 44 097 |
| Travel - overseas | | 289 | 168 | 289 | 168 |
| Utilities | | 167 652 | 221 168 | 167 652 | 221 168 |
| | | **2 443 942** | **406 655** | **2 448 424** | **412 148** |

* The supplementary information presented is not audited and does not form part of the consolidated annual financial statements.

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# APPENDIX

## 1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

### 1.1. Irregular expenditure

**a) Reconciliation of irregular expenditure**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Opening balance | 4 801 176 | 4 096 169 |
| Adjustment to opening balance | - | - |
| Opening balance as restated | 4 801 176 | 4 096 169 |
| Add: Irregular expenditure confirmed | 518 528 | 705 007 |
| Less: Irregular expenditure condoned by National Treasury | (706 984) | - |
| Less: Irregular expenditure approved for de-recognition by the Board | (1 688 928) | - |
| Less: Irregular expenditure not condoned and removed | - | - |
| Less: Irregular expenditure recoverable | - | - |
| Less: Irregular expenditure not recoverable and written off | | |
| **Closing balance** | **2 923 792** | **4 801 176** |

**Reconciling notes**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Irregular expenditure that was under assessment | - | - |
| Irregular expenditure that relates to the prior year and identified in the current year | - | - |
| Irregular expenditure for the current year | 518 528 | 705 007 |
| **Total** | **518 528** | **705 007** |

**b) Details of irregular expenditure (under assessment, determination, and investigation)**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Irregular expenditure under assessment | - | 11 845 |
| Irregular expenditure under determination | - | - |
| Irregular expenditure under investigation | 518 528 | - |
| **Total** | **518 528** | **11 845** |

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### c) Details of irregular expenditure condoned

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Irregular expenditure condoned by National Treasury | (706 984) | - |
| Irregular expenditure approved for de-recognition by the NHLS Board | (1 688 928) | - |
| **Total** | **(2 395 912)** | **-** |

NHLS submitted a request to National Treasury amounting to R2 647 047 285 for condonation and received condonation only in respect of R706 984 444. NHLS subsequently made a submission for derecognition to the Board where R 1 688 927 695 was approved for derecognition of the R1 940 062 841 that was not condoned by National Treasury. The amount that has not been approved will be resubmitted to the Board for consideration.

### d) Details of irregular expenditure removed - (not condoned)

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Irregular expenditure not condoned and removed | - | - |
| **Total** | **-** | **-** |

Based on all the determination tests concluded a 'Nil' value has been recorded as loss that requires recovery.

### e) Details of current and previous year irregular expenditure written off (irrecoverable)

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Irregular expenditure written off | - | - |
| **Total** | - | - |

To date a 'Nil' value has been recorded as a write off.

**Additional disclosure relating to Inter-Institutional Arrangements**

### f) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliances)

**Description**

No additional disclosure with regards to inter-institutional arrangements.

**Total**

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**g) Details of irregular expenditure where an institution is involved in an interinstitutional arrangement**

No additional disclosure with regard to inter-institutional arrangements

**h) Details of disciplinary or criminal steps taken as a result of irregular expenditure**

**Disciplinary steps taken**

The disciplinary action in response to the SIU are underway

## 1.2. Fruitless and wasteful expenditure

**a) Reconciliation of fruitless and wasteful expenditure**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Opening balance | 1 609 | 1 491 |
| Adjustment to opening balance | - | - |
| Opening balance as restated | 1 609 | 1 491 |
| Add: Fruitless and wasteful expenditure confirmed | - | 118 |
| Less: Fruitless and wasteful expenditure recoverable | | - |
| Less: Fruitless and wasteful expenditure not recoverable and written off | - | - |
| **Closing balance** | **1 609** | **1 609** |

No new fruitless expenditure has been recorded during the current year.

**Reconciling notes**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Fruitless and wasteful expenditure that was under assessment | - | - |
| Fruitless and wasteful expenditure that relates to the prior year and identified in the current year | - | - |
| Fruitless and wasteful expenditure for the current year | - | 118 |
| **Total** | **-** | **118** |

**b) Details of fruitless and wasteful expenditure (under assessment, determination, and investigation)**

None to report.

**c) Details of fruitless and wasteful expenditure recoverable**

None to be recovered.

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**d) Details of fruitless and wasteful expenditure not recoverable and written off**

| Description | 2023/2024 | 2022/2023 |
|---|---|---|
| | R'000 | R'000 |
| Fruitless and wasteful expenditure written off | - | - |
| **Total** | **-** | **-** |

**e) Details of disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure**

**Disciplinary steps taken**

None.

## 1.3. Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) &(iii)

**a) Details of material losses through criminal conduct**

There were no material losses through criminal conduct identified.

**b) Details of other material losses**

No other material losses were identified.

**c) Other material losses recoverable**

There were no material losses recoverable as there were none incurred.

**d) Other material losses not recoverable and written off**

None.