**6. THE BUDGETARY REVIEW AND RECOMMENDATIONS REPORT OF THE PORTFOLIO COMMITTEE ON HEALTH, DATED 18 OCTOBER 2017**

The Portfolio Committee on Health (the Committee), having assessed the performance of the Department of Health (the Department) and its Entities, against its mandate and allocated resources, reports as follows:

1. **INTRODUCTION**

The Money Bills Procedures and Related Matters Amendment Act (Act 9 of 2009) sets out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national department. The Portfolio Committee compiles a Budgetary Review and Recommendation Report (BRRR) that evaluates the effective, efficient and economic use of allocated resources and make recommendations. These are with reference to the following:

* Medium-term estimates of expenditure, its strategic priorities and measurable objectives;
* Prevailing strategic plans;
* Expenditure reports relating to the department published by National Treasury in terms of Section 32 of the Public Finance Management Act (PFMA) (No.1 of 1999);
* Financial statements and annual reports of the departments;
* Reports of the committee on Public Accounts relating to the department; and
* Any other information requested by or presented to a House or Parliament.

In assessing the performance of the Department of Health and its Entities for the financial year 2016/17, the Committee reviewed and analysed the following reports and/or documents:

* 2016 Estimates of National Expenditure;
* Strategic Plan of the Department of Health (2015/16 – 2019/20);
* Annual Performance Plan of the Department of Health (2016/17);
* Annual Report of the Department of Health (2016/17);
* Annual Report of the South African Medical Research Council (2016/17);
* Annual Report of the National Health Laboratory Services (2016/17);
* Annual Report of the Office of Health Standards Compliance (2016/17);
* Annual Report of the Council for Medical Schemes (2016/17);
* Progress Report of the Compensation Commissioner for Occupational Diseases (October 2017);
* Report of the Auditor General South Africa (2016/17); and
* Report of the Financial and Fiscal Commission (2016/17).

# STRATEGIC PRIORITIES OF THE DEPARTMENT

The Department aims to provide leadership and coordination of health services to promote the health of all people of South Africa through an accessible, caring and high quality health system based on primary health care approach. The Department’s performance plan for 2016/17 was informed by strategic priorities of government and other relevant policies such the National Development Plan (NDP) Goals and Priorities (Vision-2030), Sustainable Development Goals 2030, 2016 State of the Nation Address (SONA), Medium-Term Strategic Framework (2014-2019) and the 2106 Medium-Term Budget Policy Statement.

* 1. **Strategic outcome oriented goals**

The Department’s five year strategic goals (2015-2020) are to:

1. Prevent disease and reduce its burden and promote health;
2. Make progress towards universal health coverage through the development of the National Health Insurance (NHI), and improve the readiness of the health facilities for its implementation;
3. Re-engineer primary healthcare by: increasing the number of ward-based outreach teams, contracting general practitioners, and district specialist teams; and expanding school health services;
4. Improve health facility planning by implementing norms and standards;
5. Improve financial management by improving capacity, contract management, revenue collection and supply chain management reforms;
6. Develop an efficient health management information system for improved decision making;
7. Improve the quality of care by setting and monitoring national norms and standards, improving system for user feedback, increasing safety in health care, and by improving clinical governance; and
8. Improve human resources for health by ensuring adequate training and accountability measures.
   1. **Policy priorities**

The key policy priorities of the Department and implementation progress thus far are as follows:

* **Implementation of the National Health Insurance (NHI):** The Department continues to build NHI as a vehicle to deliver universal healthcare coverage to all South Africans. The second phase focuses on establishing the NHI Fund which requires the development of systems for effective administration. The NHI White Paper was prepared for submission to Cabinet during the 206/17 financial year.
* **Establishment of the South African Health Products Regulatory Authority (SAHPRA):** The establishment of SAHPRA will facilitate effective registration of medicines, as well as regulation and registration of medical equipment and devices. As of April 2017, SAHPRA was established as a schedule 3A public entity.
* **Ideal Clinic Initiative:** The Ideal Clinic initiative began in July 2013 as a way of systemically reducing the deficiencies in primary health care (PHC) facilities in the public sector. As at the end of March 2017, a cumulative total of 786 PHC facilities qualified as Ideal Clinics. The main challenges in achieving ideal status were related to supply chain management, particularly of equipment, essential supplies and infrastructure.
  1. **Key Indicators for 2016/17**

# Some of the key indicators for 2016/17 as per the Department’s Strategic Plan (2015/16-2019/20), Annual Performance Plan (2016/17) and Annual Report (2016/17), include:

* Maternal mortality ratio decreased over the years from 165 per 100 000 live births in 2014/15 to 154 per 100 000 live births in 2015/16. Over the medium-term, the Department aims to reduce maternal mortality ratio to less than 100 per 100 000 live births. Antenatal clients attending a health facility before 20 weeks of pregnancy increased from 61.2% in 2015/16 to 65.2% in 2016/17. 70.3% of mothers and babies received post-natal care within 6 days of delivery in 2016/17.
* Neonatal mortality rate (NMR) remains stable at 12.4 deaths per 1 000 live births in 2016/17. The target for 2018/19 is less than 6 deaths per 1 000 live births. The Department is planning to reduce under-five mortality rate to less than 30 per 1 000 live births by decreasing under-five diarrhoea and severe acute malnutrition case fatality rates to less than 2% and 7%, respectively by 2018/19.
* South Africa continues to be home to the world’s largest number of people living with HIV, estimated to be 6.4 million in 2012. Levels of HIV and tuberculosis (TB) co-infection are high, with as many as 60% of patients having HIV-associated TB. There are increasing numbers of patients diagnosed with multidrug-resistant (MDR) and extensively drug-resistant (XDR) TB. In 2016/17, access to new drugs, bedaquiline and Delamanid, for drug-resistant TB was accelerated. The 9-month short MDR-TB treatment regimen was also implemented.
* There has been rapid scale up of antiretroviral therapy (ART) services resulting in a four-fold increase in the number of people receiving ART between 2009 and 2012. Routine data shows that in 2015 more than 3 million people are estimated to be on ART. The prevention of mother-to-child transmission rate has decreased from 2.0% in 2013/14 to 1.4% in 2016/17.
* In relation to the implementation of Primary Health Care (PHC) re-engineering, ward-based outreach teams expanded to 3 275 functional teams, an increase from 1 527 teams in 2014/15. At the end of March 2017, 45 of 52 districts in nine provinces had functional district clinical specialist teams (DCSTs) with at least three members per team.

1. **REPORT OF THE AUDITOR GENERAL OF SOUTH AFRICA**

The Department has received an unqualified audit opinion for the past four years. However, the Auditor General (AG) expressed its opinion with emphasis of matter relating to material adjustments effected to annual financial statements. The Department had material findings on the programmes scoped mainly due to finding from indicators implemented at provincial level. The Council for Medical Schemes (CMS) and South African Medical Research Council (SAMRC) obtained clean audits, while the Department and the Office of Health Standards Compliance (OHSC) received unqualified audit opinions. The National Health Laboratory Service (NHLS) has regressed, received a qualified audit opinion. The Compensation Commissioner for Occupational Diseases (CCOD) audit was outstanding as the office did not submit financial statements for the reporting period. However, the CCOD submitted financial statements for the 2010/11 and 2011/12 financial years, the audit outcomes were a disclaimer and qualified with findings respectively.

**The Department and Entities –**  The AG noted with concern that the Department spent 99% of its budget with only 55% achievement in objectives. However, the AG noted that the financial health of the Department and three entities (CMS, SAMRC and OHSC) has improved, where R6.1 million irregular expenditure was incurred compared to R7.4 million in 2015/16. Irregular expenditure incurred by the NHLS amounted to R1.0 billion (from R29 million in 2016/16). Reasons for irregular expenditure at the NHLS relates to competitive bidding processes that were not followed; insufficient evidence provided to support declaration of supplier interests, and tax matters. The AG highlighted that although internal controls to detect irregular expenditure are in place, controls are not yet matured to prevent the occurrence of the irregular expenditure.

The AG recommends that the Committee should follow up on the reasons for the non-achievement of about 45% of the targets, status of the key controls as well as plans to mitigate incurrence of irregular expenditure. The Committee should also enquire on the status of medical claims and progress made in addressing these.

**Provincial departments** **–** The AG reported that the audit outcomes of the portfolio showed slight improvement after being stagnant for the past two years. Eastern Cape, Free State, Gauteng and Western Cape received unqualified audit opinions. The most notable movement is the improvement in audit outcome for Free State in obtaining an unqualified audit opinion. The AG noted material findings on usefulness and reliability of data, due to inadequate information systems for the collection of data, inadequate implementation of policies and procedures, manual control processes and poor filing systems.

All provincial departments (with the exception of the Western Cape) had challenges with compliance with submission of financial statements that complied with the accounting framework as well as the inability to detect and prevent irregular expenditure. Irregular expenditure has reduced, amounted to R6.4 billion, from R7.7 billion in 2015/16. The main contributors to irregular expenditure were Gauteng (R1.9 billion), Mpumalanga (R1.5 billion) and KwaZulu-Natal (R1.3 billion). Unauthorised expenditure slightly decreased from R259 million in 2014/15 to R238 million in 2016/17.

The AG reported that the three root causes for poor performance included slow response by political leadership and senior management; key positions remaining vacant; and inadequate consequences for poor performance and transgressions. The AG recommends that leadership and senior management should take responsibility for poor performance and address the weaknesses in key controls, ensure that positions are filled as soon as possible with officials who have appropriate competencies and consequences for financial misconduct or misconduct in the SCM processes.

In addition to financials, the AG also audited four elements of the health sector: management of pharmaceuticals; use and maintenance of medical equipment; infrastructure; and Information Technology (IT).

On management of pharmaceuticals at medical depots, 40 clinics were visited and 35 of them had pharmaceuticals out of stock on the day that the AG visited. This was found to be due to poor supply management and poor stock management. The AG also found inadequate stock management as medicines were found to be stored in inappropriate places and expired stock was not disposed of. On the use and maintenance of medical equipment, some medical equipment were not used due to infrastructure deficiencies; hospital lacking staff that has the skills to use the equipment; and delays in repairing medical equipment.

Under infrastructure, the AG looked at project management, commissioning and use of infrastructure. Twenty-four projects were visited, common findings across the sites was that the EV was less than R1, indicating that value for money was potentially not being achieved for amounts spent on these projects. Challenges included poor quality of work and poor workmanship; delays in completion of projects; infrastructure needs were not correctly identified and prioritised; delays in commissioning of clinics and hospitals; and standards for infrastructure procurement and delivery management were not fully implemented. Root causes were that certain provincial departments did not have sufficient capacity to implement projects, thus heavily relied on consultants or project managers. There was lack of consequences for poor performance and transgressions which resulted in matters previously reported being repeated and action plans not being implemented as desired. Projects were not planned and managed effectively by the provincial departments and their implementing agents.

On Information Technology, AG reported that the outlook was on network infrastructure and patient billing systems. Findings showed outdated infrastructure, system downtime, inadequate setup tariff codes and lack of system validation codes.

1. **REPORT OF THE FINANCIAL AND FISCAL COMMISSION (FFC)**

The FFC reported that South Africa inherited a fragmented health care system with financing, distributional and geographical inequities. The public sector continues to carry the highest burden of health care delivery with limited resources. Health outcomes are not comparable with the level of spending and to peer countries. The FFC stated that government has committed to improving health outcomes through the NDP and MTSF. Concerns regarding the ability of the sector to deliver expected outputs are growing and the National Health Insurance reform is underway seeking to improve access and quality.

On challenges facing the health sector, there are disparities in access to healthcare professionals between the public and the private sector. Health personnel is gradually declining amid concerns of staff shortages especially in rural areas compounded by a bureaucratic process in appointing healthcare professionals. Provinces are also reluctant to delegate human resource functions to health facilities.

On infrastructure, the FFC noted that health infrastructure is funded through the Health Facility Revitalisation Grant which is characterised by inconsistent spending performance. Provincial health infrastructure programmes are faced with numerous challenges ranging from slow progress in filling posts for infrastructure units; delays in procurement processes and approval of projects; lack of operational budget for newly built facilities; and delays in closure of completed projects and transfer to asset register.

The FFC reported that health negligence and malpractices are rife within the sector and a concerning trend of growing medical claims as these place huge contingent liability on provincial health budgets. The FFC assumed potential abuse of the system by legal professionals.

On private health care sector, spending accounts for 51% of the total national spending while they only cater for 17% of the total population. The large financial muscle enables the private sector to attract qualified and experienced doctors and other professionals to the disadvantage of the public sector.

With regard to health reforms, the NHI implementation is set to enter a second phase of implementation from 2017 to 2020. The newly revised White Paper makes notable strides in addressing concerns raised in the first draft. The FFC, however noted that many details remain outstanding on the ultimate design of the NHI.

Health outcomes are improving but not at a rate consistent with the capacity or level of the economy. Maternal mortality ratio and infant mortality show slow improvement. Overall, the Department appears to have achieved planned performance targets especially on HIV, TB, school health, however, performance targets for infrastructure related strategic objectives remains a problem.

Public health care funding accounts for 12% of consolidated national spending and is growing the fastest at an average rate of 8%. Growth in health spending is driven by the implementation of the universal test and treat policy on HIV. The FFC noted that there is contrasting perception of health underfunding and clear evidence of poor operational and expenditure management. A large portion of health spending is consumed by personnel in district health services where primary health care is essential. Provinces allocate at least 31% of their total budget to health with approximately 79% from provincial equitable share transfers. On conditional grants, FFC noted the need to reorganise the composition of conditional grants in accordance with provincial specific needs. Overall spending performance of health conditional grants is over 98%. The NHI grant is highly fragmented with some of NHI related grants too small to make an impact.

1. **PERFORMANCE (FINANCIAL AND NON-FINANCIAL) OF THE DEPARTMENT**

This section provides an overview and assessment of reported financial performance of the Department for 2016/17.

* 1. **FINANCIAL PERFORMANCE**

For 2016/17, the Department received a budget of R38.6 billion, of which it spent R38.5 billion, which is 99.7% of the available budget, from 99.4% in the previous financial year. The Department under-spent a total amount of R101.2 million (0.3% under expenditure) down from R214.9 million (0.6% under expenditure), in the previous financial year. This continues a positive trend of reducing under-expenditure.

During the financial year, a total of R176.1 million (previous financial year R128 778 million) was approved for virements. This includes R30.1 million within Cost of Employees, R28.4 million (R18.7 million in the previous financial year) adjustment in budget allocation between Goods and Services between programmes, and R4.7 million within Capital expenditure. Roll over of R18.9 million is reported for the South African Demographic and Health Survey (SADHS). This is up from zero roll overs in the previous financial year.

There was no unauthorised expenditure reported, as it was in the previous financial year. Fruitless and wasteful expenditure amounted to R402 000. Irregular expenditure amounted to R1.4 million as a result of procurement processes not being followed.

**Table 1: Appropriation Statement 2016/17**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Programme**  **R’000** | | **2016/17** | | | **2015/16** | | |
| **Final Appropriation** | **Actual Expenditure** | **Over/under expenditure** | **Final appropriation** | **Actual expenditure** | **Over/under expenditure** |
| 1. | Administration | 448 820 | 442 877 | 5 943 | 443 416 | 438 501 | 4 915 |
| 2. | Health planning and system enablement | 690 593 | 679 170 | 11 423 | 611 213 | 553 053 | 58 160 |
| 3. | HIV and AIDS, TB and Maternal, Child and women’s health | 16 006 567 | 15 965 182 | 41 385 | 14 324 860 | 14 179 001 | 145 859 |
| 4. | Primary Health Care Services | 238 055 | 225 731 | 12 324 | 215 239 | 212 571 | 2 668 |
| 5. | Hospitals, Tertiary Services and Workforce Development | 19 496 416 | 19 468 716 | 27 700 | 19 057 465 | 19 056 279 | 1 021 |
| 6. | Health Regulation and Compliance | 1 716 965 | 1 714 510 | 2 455 | 1 601 732 | 1 599 420 | 2 312 |
| **TOTAL** | | **38 597 416** | **38 496 186** | **101 230** | **36 253 925** | 1. **038 825** | 1. **5** |

* + 1. **Programme Performance**

This section provides an analysis of the expenditure performance of the Department. The analysis focuses particularly on spending of the allocated budget in each of the six main programmes.

## Programme 1: Administration – This programme was allocated R448.8 million and spent R442.9 million (98.7%, slightly down from 98.9% in the previous year) representing under-expenditure of R5.9 million (1.3%).

## Programme 2: National Health Insurance, Health Planning and Systems Enablement – This programme was allocated R690.6 million (up from R611.2 million in the previous financial year) with an actual expenditure of R679.2 million (98.3%). This shows under-expenditure of R58.2 million or 1.7 %. This programme demonstrates improved spending compared to previous financial years.

## Programme 3: HIV and AIDS, Tuberculosis, Maternal and Child Health – This programme was allocated R16.0 billion (up from R14.3 billion) and spent R15.97 billion, which is a 99.7% expenditure rate. The HIV and AIDS sub-programme dominates expenditure in this programme with R15.7 billion spent (99.8%). There is high under-expenditure (20.6%) in the Women’s Maternal and Reproductive Health sub-programme, which has a relatively small budget of R14.6 million, and only R11.6 million (79.4%) of the final appropriation spent and is one of government’s priority areas.

## Programme 4: Primary Health Care Services – The budget allocation for this programme increased from R215.2 million in 2015/16 to R238.1 million in 2016/17. The programme shows expenditure of R225.7 million, with under-expenditure of R12.3 million (5.2%).

## Programme 5: Hospitals, Tertiary Health Services and Human Resource Development – This programme has spent nearly 100% (R19.46 billion) of its R19.5 billion allocated funds. This is in keeping with the previous financial year spending pattern. The largest portion of the funds for this programme goes to the Tertiary Health Care Planning and Policy sub-programme (R10.9 billion, 55.7%), followed by the Health Facilities Infrastructure Management sub-programme (R5.98 billion, 30.7%) and the Human Resources for Health sub-programme (R2.5 billion, 12.9%). The remaining sub-programmes make up less than one per cent of the programme’s budget.

## Programme 6: Health Regulation and Compliance Management – This programme has spent 99.9 % of its appropriated funds, amounting to R1.7 billion which is up from R1.6 billion (99.9%) expenditure in the previous financial year.

* + 1. **Conditional Grants**

Total spend on conditional grants was at 99.0% or R33.9 billion against a total adjusted budget of R34.2 billion resulting in under spending of 1% or R358 million, compared to 99.1% or R32.0 billion spent in the previous financial year. Major contributors to the underspending are the NHI and Health Facility Revitalisation Grants, spending 93.8% and 95.1% respectively. The Health Professions Training, National Tertiary Services and HIV/AIDS Grants spent 99.6%, 99.6% and 99.8% respectively. Rollover was requested for unspent funds linked to committed projects. The NHI Grant has ceased to exist, as such provinces were consulted in this regard.

## SERVICE DELIVERY PERFORMANCE

Overall, the Department’s performance declined from the previous year when it had 171 targets and achieved 109 or 64%, compared to the financial year under review when 81 of 145 targets or 56% were achieved.

Programme 4: Primary Health Care Services appears to be the best performing programme with 78% of targets achieved (up from 73%), followed by Programme 1: Administration, which achieved 75%. Of great concern is the continued decline in the Department’s two key programmes namely Programmes 3 and 5. Programme 3: HIV and AIDS, TB and Maternal, and Child Health declined from 65% to 54% targets achieved. Programme 5: Hospitals, Tertiary Services and Workforce Development only achieved 25% of its targets, compared to 45% in the previous financial year.

**Table 2: Programme Performance Overview**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programme** | | **Number of targets** | **Achieved** | **Not fully achieved** | **Percentage Achieved** | **Budget Spent** |
| 1 | Administration | 8 | 6 | 2 | 75% | 98.7% |
| 2 | Health planning and system enablement | 30 | 20 | 10 | 67% | 98.3% |
| 3 | HIV and AIDS, TB and Maternal and Child Health | 48 | 25 | 23 | 52% | 99.7% |
| 4 | Primary Health Care Services | 23 | 18 | 5 | 78% | 94.8% |
| 5 | Hospitals, Tertiary Services and Workforce Development | 28 | 7 | 21 | 25% | 99.9% |
| 6 | Health Regulation and Compliance | 8 | 4 | 4 | 50% | 99.9% |
| **Total** | | **145** | **81** | **64** | **56%** | **99.7%** |

* + 1. **Programme Performance**

This section provides an analysis of the performance of the Department under each of its six main programmes. The analysis focuses particularly on the overarching targets and achievements under each programme and highlights some of the challenges that prevented the Department from achieving these target.

## Programme 1: Administration – Six (6) out of nine targets (75%, down from 82%) are reported achieved in the financial year under review. The targets from this programme increased from 6 in 2012/13 to 11 in 2015/16 declining again in 2016/17 to 8. A new indicator that relates to the number of Provincial Departments of Health that demonstrate improvements in audit outcomes or opinions was achieved.

## The Department maintained its targets of achieving an unqualified audit opinion, as well as having four provinces also achieving the same. The Eastern Cape, Free State, Gauteng, Western Cape and National Department, achieved unqualified audits.

## The target that focused on turnaround time for recruitment processes was achieved with the Department reporting a 4-month turnaround time against a target of 6 months. A total of 94 communication interventions were implemented against a target of 52, due to the increased demand for communication support by programmes.

## Programme 2: National Health Insurance, Health Planning and Systems Enablement – Twenty (20) of the 30 targets (67%) were achieved. The NHI Bill was drafted and the draft document on funding for the NHI was updated. The draft monitoring framework for NHI was developed. The Centralised Chronic Medicine Dispensing and Distribution (CCMDD) programme continued to enrol new patients. A total of 1.25 million patients were enrolled which exceeds the target of 650 000 patients. A revenue retention model at central hospitals was developed and approved by the National Health Commission (NHC) but was still in process. The Interim Registrar of the Interim Traditional Health Practitioners Council has been appointed. Regulations pertaining to the Uniform Patient Fee Schedule were drafted but not gazetted. A Patient Experience of Care self-assessment survey tool was implemented in at least 1200 clinics.

## Programme 3: HIV and AIDS, Tuberculosis, Maternal and Child Health – As described earlier, the AG, as in previous years, raised material issues on the reliability of the data in this programme. The implication of the AG’s findings is that performance information provided in the Annual Report may not be reliable. For example, the AG could not confirm the reported achievement of the percentage of inmates screened for TB on admission which was reported as 83.2%.

## In Programme 3, the Department fully achieved only 26 out of 48 targets (previous financial year 37 out of 57 targets or 65%). This means that the Department spent 99.7% of its allocated budget under this programme and only achieved approximately 52% of its targets. Nearly half of the planned targets were not fully achieved, despite spending nearly the entire budget.

## In terms of HIV and AIDS, a total of 491 859 medical male circumcisions (MMCs) were conducted: 414 480 were conducted in the public sector, 32 198 in the private sector and 45 181 in the Eastern Cape traditional sector. This fell short of the targeted 700 000 MMCs by 208 141 (29.7% below target). This shows a continued decline from the 464 731 last year and 508 404 in 2014/15.

## A total of 14.2 million clients were tested for HIV (target 10 million). There is an increase in total number of clients remaining on ART (Total clients remaining on ART (TROA)) compared to last year (3.8 million versus 3.4 million in 2015/16), however, the Department is still not reaching the target of 4.3 million clients total remaining on ART (TROA). Prevention of mother to child transmission (PMTCT) rate improved to 1.4% from 1.5% in the previous financial year with the ultimate aim of eradication. The 2015 National antenatal sentinel HIV and Syphilis prevalence survey was not published. The number of male and female condoms distributed were 917.2 million and 26.1 million respectively.

## Whilst the target is achieved, the TB death rate at 4.5% (target was 5%), is slightly higher than last year (4.4%). MDR TB client death rate has improved from 22.3% last year to 18.8% this year, but is still significantly above the target of 12%. 95.5% of controlled mines provide routine TB screening (target 85%).The screening of inmates for TB on admission is at 83.2% (target 80%). However, the AG could not verify this indicator with sufficient evidence. Last year the percentage was at 215.4%.

## The Department failed to meet two of the three targets related to reducing maternal mortality. Antenatal 1st visit before 20 weeks has improved from 61.2% to 65.2% (target 62%). Mother postnatal visit within 6 days’ rate improved from 68.5% to 70.3%, though the target of 75% was not achieved. Maternal mortality in facility ratio improved from 119.1 per 100 000 in the previous financial year to 116.9 per 100 000 live births this financial year, the target of 115 per 100 000 was not met.

## Inpatient neonatal death was at 12.4 per 1000 live births (target 10 per 1000 live births). Immunisation coverage under 1 year declined from 89.2 last year to 82.3, failing to meet the target of 92%. Stock-out of hexavalent vaccine and poor stock management and distribution systems were to blame. This stock out also negatively affected the Measles 1st does dropout rate which was at -11.7% (target 6%).

## Programme 4: Primary Health Care (PHC) Services – In terms of performance, eighteen (18) out of 23 targets or 78% (19 of the 26 targets or 73% in 2015/16) were fully achieved.

## A total of 3 211 clinic committees were audited and 2095 were functional (target was 1200). 786 additional PHC facilities in the 52 districts qualify as Ideal Clinics (target was 750). 3 275 functional ward-based primary health care outreach teams (WBPHCOTs) were achieved (target was 2000).

## With regard to malaria, the Department did not reach its target as it reported 0.4 malaria cases per 1000 population at risk (target of 0.2 malaria cases per 1000) as there were upsurges in malaria in Limpopo and Mpumalanga.

## On addressing non-communicable diseases (NCDS), the Department oriented 43 national departments (target was 35) on the National Guide for Healthy Meal Provision in the workplace. The Tobacco Products Bill was still not finalised. The testing of salt content in foods was conducted on 13 regulated food categories.

## On improving the quality of mental health services, eight district mental health teams were established against a target of five.

## Programme 5: Hospitals, Tertiary Health Services and Human Resource Development – This programme deals with the development of policies, delivery models and clinical protocols for hospital and emergency medical services. It also ensures that Academic Medical Centres (AMCs) and health workforce development programmes are aligned. The AG raised issues pertaining to the reliability of performance data under this programme. The AG found that performance in percentage backlog eliminated for blood alcohol tests was misstated: an audited value of 19.35% was found versus the reported achievement of 67%. Similarly, the indicator for number of hospitals that achieved 75% (or more) compliance with the National Core Standards assessment was misstated as the evidence provided indicated 44.5% and not 58% as reported.

## The number of targets for this programme has been reduced from 29 to 28. Only seven of the 28 targets (25%) were achieved (previous financial year 13 of the 29 targets or 44.8% were achieved). This is despite having spent nearly the entire budget for the programme. The AG reported material findings on the reliability of performance information in this programme and this must be borne in mind when analysing the information provided. For instance, the AG found that the reported achievement for percentage of food tests within normative turnaround time was misstated as the evidence provided indicated 44.5% and not the 58% as reported. For the indicator on percentage of backlog eliminated for blood alcohol tests the AG determined an audited value of 19.35%, whilst the Department reported 67%. In addition, the AG determined an audited value of 14.96% for percentage backlog eliminated for toxicology tests whilst the Department reported 16%.

## Four of the five performance indicators related to improving quality of health infrastructure were not met. Only 67 facilities (37.6%, target was 178 facilities) were maintained, repaired and/or refurbished in NHI Districts. Only 37 facilities were maintained, repaired and/or refurbished outside NHI Districts (12.1%, target was 307). Only half (22) of the targeted number of community health centres (CHCs) were constructed and/or revitalised (target was 44). Three (target was 8) hospitals were constructed or revitalised. This is an improvement on previous financial year’s one hospital. Sixty-five (target of 52) new consulting rooms were constructed that comply with the gazetted infrastructure Norms and Standards.

## In terms of improving management of health facilities through the Health Leadership and Management Academy, neither of the two new performance indicators were achieved. Only 2 hospital CEOs and 2 PHC facility managers accessed the coaching and mentoring programme (target was 40 hospital CEOs and 200 PHC facility managers). The pilot launch was delayed due to funding issues, as well as lack of availability of participating managers. There was also very slow uptake by managers using the hub knowledge information system.

## Draft Emergency Care Centre Regulations and regulations for EMS in mass gatherings have not been published for implementation. Regulations for the Rendering of Forensic Pathology Services have also not been published for implementation.

## On mental health, the Department aimed to ensure that ten hospitals (8 district and 2 regional hospitals) have mental health inpatient units. Twenty-nine (29) hospitals (1 district, 14 regional and 14 tertiary) have mental health inpatient units.

## None of the indicators for developing and implementing health workforce staffing norms and standards were met. Human Resources for Health (HRH) norms for district and specialised hospitals were not approved yet. Also, work to develop the HRH norms for regional, tertiary and central hospitals did not commence. The new basic nursing qualification programmes and draft curricula was developed. Eighty-eight (88) Nursing and midwifery educators (target was 50) underwent training and development programme.

## Three (3) provinces did not submit additional quarterly reports on the monitoring system which was developed and implemented to monitor facilities that render services for the management of sexual and related offences.

## Programme 6: Health Regulation and Compliance Management – The number of targets in this programme has decreased from 18 to 8, of which only 4 or 50% were achieved (previous financial year 12 of the 18 targets (67%) were achieved).

## Parliament passed the South African Health Product Regulatory Authority (SAHPRA) Bill [B6 – 2014] which was assented to by the President on 24 December 2015, and gazetted on 7 January 2016. However, the appointment of the SAHPRA Board, CEO and committees is pending proclamation of the Act by the President.

## Four (4) health entities and 5 statutory health professional councils are fully functional and compliant to good governance practices (structures, finance, HR, supply chain management policies). The interim Traditional Health Practitioners Council of South Africa was not fully functional and compliant with corporate governance practices because National Treasury did not allocate budget.

1. **PERFORMANCE OF ENTITIES**
   1. **SOUTH AFRICAN MEDICAL RESEARCH COUNCIL**

The South African Medical Research Council Act, No. 58 of 1991(as amended) mandates the South African Medical Research Council (SAMRC) to amongst others conduct ‘research, development and technology transfer, to promote the improvement of the health and quality of life of the population of the Republic.

* + 1. **Performance Information**

Financial performance for 2016/17 was as follows:

* Revenue for the year increased by 10.4% from R849.7 million to R937 million;
* Investment income increased by 36% (from R25 million to R35 million);
* Baseline government grant increased by 5.4%, slightly below inflation;
* There was a R32 million surplus for the year, the SAMRC received more funds than anticipated from international funders;
* SAMRC exceeded the R1 billion cash receipt, actual cash of R1.04 billion; and
* The operating cash generated was R118 million and investing cash flow of R28 million.

Non-financial performance:

The SAMRC has four strategic goals that are aligned with the health sector Outcome 2. For 2016/17, SAMRC reported on nine (9) strategic objectives linked to the four strategic goals, which most of them have been met and exceeded (Table 3). During the reporting period (2016/17), SAMRC reached many milestones, some of the successes included:

* The establishment of a Scientific Advisory Board to advise the President and the Board on the research strategy in the intramural programmes;
* An amount in excess of R270 million was invested in medical research, innovation and research programmes to respond to the disease burden of our country;
* The launch of mid-career Scientist Programme, which focuses on developing the next generation of science leaders;
* Introduction of a Deputy Director Programme to advance the transformation agenda of the SAMRC;
* Continued to address the issues of transformation in our extramural science programme; and
* Invested further resources into capacity development.

**Table 3: Programme Performance Overview**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Strategic Goals** | | **Number of targets** | **Achieved** | **Not fully achieved** | **Percentage Fully Achieved** | **Budget Spent** |
|  | Administer health research effectively and efficiently in South Africa | 4 | 3 | 1 | 75% | 17% |
|  | Lead the generation of new knowledge and facilitate its transition into policies and practices to improve health | 4 | 4 | - | 100% | 60% |
|  | Support innovation and technology development to improve health | 2 | 2 | - | 100% | 19% |
|  | Build capacity for the long-term sustainability of the country’s health research | 2 | 2 | - | 100% | 4% |
| **Total** | | **12** | **11** | **1** | **93.8%** | **100%** |

* + 1. **Report of the Auditor General**
* The SAMRC obtained its fifth consecutive clean audit.
* The AG did not identify any material findings on the usefulness and reliability of reported performance information for selected objectives.
* Furthermore, the AG did not identify any significant deficiencies in the internal control.
  1. **NATIONAL HEALTH LABORATORY SERVICE**

The NHLS is established through the National Health Laboratory Service Act, 2000 (Act No. 37 of 2000), which mandates it to provide cost-effective and efficient health laboratory services to all public healthcare and any private healthcare providers that requests such services. IT has 288 laboratories across the nine provinces of South Africa, serving approximately 80% of the South African population.

* + 1. **Performance Information**

Financial performance:

* In 2016/17, the NHLS generated a deficit amounting to R1.88 billion compared to R273 million surplus in the previous financial year. The deficit was mainly driven by an increase in doubtful debt provision of R2.5 billion. This in turn increased operational costs by 91%.
* Costs of sales showed an increase in billing for laboratory tests making the revenue to grow from R6.4 billion to R7.1 billion. Revenue from provincial departments accounted for 95% of the total revenue generated.
* Assets decreased from R3.9 billion to R2.9 billion due to an increase in the provision for doubtful debt and a smaller bank balance of R391 million.
* The actual capital spend was R268 million in 2016/17, an overspend of R18 million against budget.

Non-financial performance was as follows:

* During 2016/17, the NHLS observed an increase in service provision and laboratory test consumption. The total test volumes for the year amounted to R91 million, most of which are from the Department of Health.
* Key achievement for the year include, improvement in customer service and turnaround time, improved stakeholder relations. The NHLS in collaboration with its academic partners published 618 journals in 2016/17. NHLS attracted R257 million in grant funding. Improvement in ICT which gives doctors the ability to directly access their patient records and laboratory test results from NHLS.
* Challenges were related to accreditation of laboratories and improvements of pass rates.

**Table 4: Programme Performance Overview**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programme** | | **Number of targets** | **Achieved** | **Not fully achieved** | **Percentage Fully Achieved** | **Budget Spent** |
|  | Administration | 20 | 9 | 11 | 45% | 59.4% |
|  | Surveillance of Communicable Diseases | 7 | 6 | 1 | 85.7% | 85.2% |
|  | Occupational Health and Safety | 19 | 16 | 3 | 84.2% | 86.3% |
|  | Academic Affairs, Research and Quality Assurance | 12 | 6 | 6 | 50% | 0% |
|  | Laboratory Service | 10 | 6 | 4 | 60% | 108.5% |
| **Total** | | **68** | **43** | **25** | **63.2%** | **67.9%** |

* **Programme 1: Administration –** Achieved 11 targets out of 20 planned targets. Programme 1 had an allocation of slightly over R1.1 billion for the reporting period (2016/17), which is an increase from R804.5 million in 2015/16. During the reporting period, this Programme only spent R667.1 million and remaining with over R455.1 million resulting in a significant under-expenditure.
* **Programme 2: Surveillance of Communicable Dsieases –** Achieved six (6) of the seven (7) planned targets. Budget allocation for this programme was R347.2 million in 2016/17, which is an increase from R266.8 million allocation for 2015/16. This Programme only spent R295.7 million and remaining with slightly over R51.5 million resulting in under-expenditure.
* **Programme 3: Occupational Health and Safety –** Achieved 16 of 21 planned targets during the reporting period. Programme 3 had a budget allocation of R107.8 million for the reporting period, which is a decrease from R109.4 million in 2015/16. For 2016/17, this Programme only spent R93.1 million and had a balance of slightly over R14.7 million resulting in under-expenditure.
* **Programme 4: Academic Affairs, Research and Quality Assurance –** Achieved six (6) of 12 planned targets during the reporting period. Programme 4 had no budget allocation in 2015/16 and 2016/17 hence, there was zero expenditure on this item for both mentioned financial years. However, an amount of R219.2 million was not used and this is reflected as having been unspent. Similarly, in 2015/16 an amount of R190.9 million is reflected as having been unspent.
* **Programme 5: Laboratory Service –** Achieved 15 of 21 planned targets during the reporting period. Programme 5 had a budget allocation of R5.2 billion in 2016/17 up from R4.9 billion in 2015/16. During the reporting period, this programme significantly overspent by R443.2 million compared to R35.4 million in 2015/16.
  + 1. **Report of independent auditors**
* The NHLS obtained a qualified audit report.
* NHLS incurred irregular expenditure amounting to R1 billion compared to R29 million in 2015/16.
* The auditors identified the following in relation to irregular expenditure:
* Inadequate system for identifying, recognising and recording all irregular expenditure.
* Competitive bidding processes not being followed.
* Insufficient evidence provided to support declaration of supplier interests and tax matters.
* NHLS incurred a deficit of R1.9 billion and liabilities exceeds assets by R19.2 million. This indicates that a material uncertainty exists that may cast doubt on the NHLS ability to continue as a going concern.
* The performance indicators for programme 4 and 5 were not adequately explained.
  1. **OFFICE OF HEALTH STANDARDS COMPLIANCE**

The Office of Health Standards Compliance is an independent entity that came into effect in January 2014. The mandate of the OHSC emanates from the National Health Amendment Act, 2013 (Act No. 12 of 2013) which is to protect and promote the health and safety of users of health services in South Africa.

* + 1. **Performance Information**

Financial performance:

The OHSC received the full transfer of its government grant for 2016/17 amounting to R100.5 million and managed to spend 90.4% (R90.9 million) of its allocation (Table 2). The OHSC under-spent a total amount of R9.6 million, resulting in under-expenditure of 9.6%. Overspending was mainly concentrated in Programme 3 (Compliance Inspectorate).

Non-financial performance:

In terms of service delivery performance, for the financial year 2016/17, the OHSC fully achieved 16 (64%) of its 25 targets (Table 1) in its second year of operation. This is an improvement from achieving 45% (8 of 20 targets) in the previous financial year. The OHSC appears to be doing well in relation to Programmes 5 in achieving all of the targets set for the financial year.

**Table 5: Programme Performance Overview**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programme** | | **Number of targets** | **Fully achieved** | **Not fully**  **achieved** | **Percentage Fully Achieved** | **Budget Spent** |
|  | Office of the CEO | 5 | 3 | 2 | 60% | 73.9% |
|  | Corporate Services | 5 | 4 | 1 | 80% | 92.6% |
|  | Compliance Inspectorate | 4 | 2 | 2 | 50% | 106.7% |
|  | Complaints Management (and Ombud) | 6 | 2 | 4 | 33% | 67.6% |
|  | Health Standards Design, Analysis and Support | 5 | 5 | - | 100% | 68.1% |
| **Total** | | **25** | **16** | **9** | **64%** | **81.8%** |

* **Programme 1: Office of the CEO –** The aim of this programme is to provide leadership, communication and regulatory functions. For 2016/17, three (3) out of five (5) targets were achieved. The two targets that were not achieved include certification of compliant and enforcement of compliance of health establishments according to regulated norms and standards. This was attributed to the lack of promulgated norms and standards and regulations.

This programme exceeded its planned target (four planned) of creating public awareness about the OHSC, by conducting 14 media and communication events and campaigns. Other targets achieved are in relation to signing of Memoranda of Agreement (MoAs) with regulators as well as published reports on compliance status of health establishments.

* **Programme 2: Corporate Services –** In ensuring that the Office is functional and suitably staffed, 96% (104 of 108) funded posts were filled, 16% higher than the set target of 80%.The OHSC has obtained an unqualified audit opinion for the financial year under review. Target partially achieved relates to adequate ICT infrastructure to deliver OHSC services more effectively.
* **Programme 3: Compliance Inspectorate –** Only two of four targets under this programme were achieved.Targets not achieved relate to inspection of private health establishments as well as accreditation of inspectors.Private health establishments could not be inspected due to the lack of promulgated norms and standards and regulations.

With regard to inspection of public health establishments, 17% (697 of 3816) were inspected and 38.9% re-inspected, exceeding its targets by 1.2% and 3.9% respectively.

* **Programme 4: Complaints Management (and Ombud) –** Two of the six targets in Programme 4 were fully achieved. The OHSC Complaints Call Centre was set up and fully operationalised, playing a significant role in the escalation of complaints lodged and managed. The Complaints Management unit received a total of 730 complaints with 331 resolved, compared to 73 complaints received in the previous financial year. The OHSC has made significant progress in monitoring the Ombud recommendations for implementation by health establishments. This in relation to the implementation of the 18 recommendations made on the circumstances surrounding death of mentally ill patients.

Targets not achieved relates to delays in ensuring that 60% of complaints lodged are managed and resolved (instead 38.2% complaints were resolved within six months, underachievement of 21.8%). Delayed promulgation of norms and standards and regulations impacted negatively on the OHSC’s outputs. Targets partially achieved relate to two policy and procedures that in development phase.

* **Programme 5: Health Standards Design, Analysis and Support –** All five targets in Programme 5 were fully achieved. A key milestone during the period under review was the promulgation of the procedural regulations addressing both the annual returns and the Early Warning System meant to monitor a set of indicators and events that pose a risk to patient safety.

The delay in promulgation of norms and standards and regulations has resulted in delays in key processes, such as the finalisation of the inspection tools, formalising the system for submission of annual returns and engagement with private health establishments.

* + 1. **Report of the Auditor General**
* The OHSC obtained an unqualified audit opinion with findings for the financial year under review.
* The AG identified material findings on the usefulness and reliability of the reported performance information for selected programmes. These material misstatements were identified in Programmes 3 – Compliance Inspectorate; Programme 4 – Complaints Management (and Ombud) and Programme 5 – Health Standards Design, Analysis and Support.
* OHSC incurred fruitless and wasteful expenditure amounting to R53 110. The majority of the fruitless and wasteful expenditure incurred was due to late payments made to SARS.
  1. **COUNCIL FOR MEDICAL SCHEMES**

The Council for Medical Schemes is mandated to regulate the medical schemes industry in South Africa. The primary mandate of the CMS is to safeguard the interests of members, thereby, promoting fair and equitable access to private health financing.

* + 1. **Performance Information**

Financial performance:

* CMS received a government grant to the amount of R1.6 million in 2016/17 compared to R2.6 million in 2015/16.
* During this reporting period, the CMS had a total revenue of R136 million derived from goods and services such as Accreditation fees, levies, registration and sundry income.
* The operating expenses for the reporting period, amounted to R22.2 million, which is slightly higher compared to the total of R15.9 million incurred in 2015/16 financial year.
* Considering all income received, the entity experienced an operating deficit of R3.6 million compared to a R6.6 million operating surplus in 2015/16 financial year.
* In 2016/17, the irregular expenditure amounted to R1.4 million from R983 000 in 2015/16.

Performance achievements during the 2016/17 include the following:

* Obtaining an unqualified report by the Auditor General.
* ICT systems up-time were maintained at over 99%.
* There was an increase in PMB definitions published.
* Increased research outputs to address industry challenges and contribute to policy development.
* Increased stakeholder interactions, training and empowerment, including enhanced publicity initiatives.
* Increase in the number of investigations and governance interventions undertaken.
* The appeals process was strengthened to reduce the backlog of appeals.
* Improvement in the resolution of complaints.

**Table 6: Programme Performance Overview**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programme** | | **Number of targets** | **Fully achieved** | **Not fully**  **achieved** | **Percentage Fully Achieved** | **Budget Spent** |
|  | Administration | 11 | 10 | 1 | 90.9% | 98.3% |
|  | Strategy Office | 3 | 2 | 1 | 66.7% | 99.3% |
|  | Accreditation | 3 | 1 | 2 | 33.3% | 95.8% |
|  | Research and Monitoring | 3 | 2 | 1 | 66.7% | 91.2% |
|  | Stakeholder Relations | 4 | 4 | - | 100% | 97.3% |
|  | Compliance and Investigations | 2 | 2 | - | 100% | 96.9% |
|  | Benefit Management | 2 | - | 2 | 0% | 89.6% |
|  | Financial Supervision | 4 | 4 | - | 100% | 99.1% |
|  | Complaints Adjudication | 1 | 1 | - | 100% | 91.3% |
| **Total** | | **33** | **26** | **7** | **78.8%** | **95.4%** |

* **Programme 1: Administration –** Only one target was not achieved in this programme, where five of fourteen vacancies tool longer than 90 days to fill as these required critical and scarce skills which were difficult to attract.
* **Programme 2: Strategy Office –** Target not achieved in this programme relates to providing clinical opinions to resolve complaints and enquiries. The reason for underachievement was human resource constraints in the strategy unit.
* **Programme 3: Accreditation –** Targets relating to the accreditation of Managed Care Organisations (MCOs) (21 MCOs were accredited against a target of 26) and administrators and self-administered schemes (14 applications were processed against a target of 15) were not achieved. Target achieved relates to the accreditation of brokers (4 854 brokers were accredited against a target of 3 980).
* **Programme 4: Research and Monitoring –** Two of three targets were achieved. Target not achieved relates to producing four quarterly reports on the Practice Code Numbering System, the January to March 2017 report was outstanding.
* **Programme 5: Stakeholder Relations –** The two targets under this programme were achieved.These relate to awareness and training, and communication.
* **Programme 6: Compliance and Investigations –** The two targets under this programme were achieved. These relate to ensuring compliance of regulated entities and implementation of governance interventions.
* **Programme 7: Benefit Management –** None of the targets set for this programme were achieved, related to schemes rule amendments.
* **Programme 8: Financial Supervision –** All targets pertaining to managing and promoting financial soundness of medical schemes were achieved.
* **Programme 9: Complaints Adjudication –** All targets in this programme were achieved.During the reporting period, 4526 were received adjudicated, a decrease from 5 794 complaints received in 2015/16.
  + 1. **Report of the Auditor General**
* The CMS obtained a clean audit report for the financial year under review.
* No material findings were raised in the audit report while one material misstatement was corrected

1. **COMMITTEE OBSERVATIONS AND FINDINGS**
   1. **Department**

Having considered the 2016/17 annual report of the Department of Health and Entities, the Committee made the following observations with respect to financial and service delivery performance:

* The Committee noted that the Department has again achieved an unqualified audit opinion together with four provincial departments (Gauteng, Free State, Eastern Cape and Western Cape). The Committee was however concerned that the Department is not moving towards a clean audit opinion.
* The Committee commended the improvement in audit outcomes of the Free State in obtaining an unqualified audit opinion.
* The Committee noted with concern the Auditor General’s continuous finding over the past five years regarding the quality and reliability of the health sector data.
* Concern was also raised around material issues on the reliability of data on the TB screening of inmates.
* The Committee noted with concern the numerous challenges impacting negatively on effective delivery of quality health services as highlighted by the Auditor General. These were particularly on the management of pharmaceuticals; medical equipment; infrastructure; and Information Technology.
* The Committee noted with concern the irregular expenditure incurred by the Department and provincial departments.
* Concern was raised on the fruitless and wasteful expenditure incurred by the Department.
* The Committee noted with concern that the Department spent 99.7% of its budget with only 56% achievement in objectives.
* The Committee noted that the worst performing programme is Programme 5 (Hospitals, Tertiary Services and Workforce Development) which only achieved 25% of its targets, yet spent 99.9% of its allocated budget.
* The Committee expressed concern that staffing levels at primary health care facilities were not in line with WISN report recommendations.
* The Committee was concerned about the slow progress in the implementation of the new nursing qualification and curriculum.
* The Committee noted with concern the underachievement in ensuring that hospital CEOs and PHC facility managers access the coaching and mentoring programme.
* The Committee was concerned that not all chronic patients are enrolled for receiving medicines through the Centralised Chronic Medicine Dispensing and Distribution programme.
* The Committee raised concern around the decline in medical male circumcision over the past three years.
* The Committee probed on what the Department was doing to assist provincial departments in improving the provision of mental health care services.
* On Ideal Clinics, the Committee raised concern on whether the clinics that achieved ideal status are reassessed to ensure that the status is maintained.
* The Committee noted that the post of Registrar for the interim Traditional Practitioners Council has been filled, however raised concern that the Council was not fully functional due to lack of funding.
* The Committee raised its concern on the challenges and backlogs at the Forensic Chemistry Laboratories.
* The Committee raised the issue of the unemployed graduates and interns not being absorbed into the Department after the initial contract expired and that an arbitration process is underway.
* The Committee is concerned that despite the large amounts of money spent on condoms, the incidence of HIV is not declining sufficiently.
* The Committee raised its concern on the lack of intergovernmental collaborations in addressing cross-cutting issues, for instance malnutrition, with other Departments such as Social Development, Agriculture, Forestry and Fisheries and Basic Education.
  1. **South African Medical Research Council**
* The Committee commended the SAMRC for maintaining its status of a clean audit report for five consecutive years.
* The SAMRC incurred irregular expenditure amounting to R484 000. The Committee probed the entity on measures to implement on mitigating irregular expenditure.
* The Committee raised concern regarding the overpayment of Board members to the amount of R113.3 million prior to approval by the National Department of Health.
* Furthermore, the Committee raised concern about the lack of visibility of the SAMRC in rural areas.
  1. **National Health Laboratory Services**
* The Committee noted with concern that the NHLS has regressed from unqualified to qualified audit opinion.
* The NHLS faces significant financial challenges relating to the difficulty to collect payments from provincial departments of health for services rendered.
* The financial situation of the NHLS is further exacerbated by historic debt by Gauteng and KwaZulu-Natal amounting to approximately R6 billion.
* The Committee expressed serious concern regarding the financial viability of the NHLS and its ability to meet its financial obligations in the foreseeable future.
* The Committee expressed serious concern that the NHLS incurred irregular expenditure amounting to R1 billion.
* Concern was raised that the NHLS generated a deficit of R1.9 billion with liabilities exceeding assets by R19.2 million.
* The Committee observed with concern that the NHLS had flawed procurement system which led to contracts being paid well after they had expired.
  1. **Office of Health Standards Compliance**
* The Committee commended the OHSC for the comprehensive implementation of its communication strategy.
* The OHSC incurred irregular expenditure amounting to R2.8 million due to property lease.
* The Committee expressed concern over fruitless and wasteful expenditure amounting to R53 000 due to late payment to SARS.
* The Committee raised its concern with regard to the reporting procedure of the Ombud as per the National Health Amendment Act 12 of 2013, which makes provision for the Ombud to table a report within one month after the end of the financial year. The Committee probed the reason why such a report was not tabled.
* Moreover, the Committee was concerned with the delays in the promulgation of the norms and standards, and regulations.
  1. **Council for Medical Schemes**
* The Committee commended the CMS for achieving its 16th unqualified audit opinion.
* The Committee expressed appreciation of the CMS’s performance relating to spending of its budget against set targets.
* Exorbitant amounts spent on litigations is an area of concern for the Committee.
* The Committee expressed concern around the affordability of medical schemes membership and probed whether this area was regulated and the role CMS was playing in this regard.
* The Committee raised the need to simplify medical schemes’ information materials to improve members’ understanding of their medical scheme agreements and in choosing schemes that suit their medical needs.
* The Committee raised its concern that the CMS was struggling to retain its highly skilled personnel.
* The Committee raised its concern that the position of CEO and Registrar was still not filled.
  1. **Compensation Commissioner for Occupational Diseases**
* The Committee raised critical concern that the CCOD was again not audited in this financial year as the entity did not submit annual reports and financial statements for 2012/13 to 2016/17.
* Human resources shortages particularly the shortage of inspectors to conduct mine inspections was a concern to the Committee.
* The Committee raised its concern that there was a clear lack of co-ordination between the relevant Departments, namely Mineral resources, Labour and Health.

1. **Recommendations**

Having made the above-mentioned observations, the Committee recommends that the Minister of Health should ensure that:

* 1. **Department**
* Improves its audit outcomes by achieving a clean audit.
* Assists the five provincial departments (Northern Cape, Limpopo, North West, Mpumalanga and KwaZulu-Natal) to improve and maintain positive audit outcomes.
* Presents to the Committee a turnaround plan to address the recurring issue related to quality and reliability of data as reported by the Auditor General for the past several years.
* Puts measures and systems in place to eliminate irregular expenditure.
* Assist provincial departments, to put systems and measures in place to prevent fruitless and wasteful expenditures at provincial departments.
* Ensures improved oversight over provincial departments regarding implementation of the Auditor General’s recommendations on the management of pharmaceuticals; use; and maintenance of equipment; infrastructure; and Information Technology.
* Presents to the Committee a turnaround plan to ensure improved target performance against allocated budget in improving efficiencies and ensuring value for money.
* Ensures improved performance of Programme 5 (Hospitals, Tertiary Health Services and Human Resource Development**)** as there is a poor alignment between expenditure and performance.

Implements the WISN report recommendations in order to ensure improved staffing levels at primary health care facilities.

Accelerates the implementation of the new nursing qualification and curriculum.

* Ensures that hospital CEOs and PHC facility managers access the coaching and mentoring programme in order to improve management of health facilities.
* Engages National Treasury to establish measures for increased funding to ensure that all chronic patients receive medicines through the Centralised Chronic Medicine Dispensing and Distribution programme.
* Engages National Treasury to establish measures for funding to ensure a fully functional Traditional Practitioners Council.
* Develops strategies to ensure improved uptake of medical male circumcision as one of the key interventions for the prevention of HIV and STIs.
* Assesses the impact of condom distribution in reducing HIV new infections and present a report to the Committee.
* Ensures improved oversight over provincial departments regarding the implementation of the Mental Health Policy Framework and Strategic Plan (2013-2020).
* Ensures that clinics that achieves Ideal Clinic status are continuously monitored to ensure that they maintain and/or improve their status.
* Ensures optimal functioning of Forensic Chemistry Laboratories as well as ensuring improved turnaround times for processing of samples.
* Establishes strategic partnerships with line function departments in tackling cross-cutting issues such as malnutrition.
  1. **SAMRC**
* That measures are put in place to mitigate the recurrence of irregular expenditure.
* Improve visibility of the SAMRC in rural areas.
  1. **NHLS**
* That the Department engages National Treasury on the new funding model for NHLS.
* That measures are put in place to ensure a turnaround in audit outcomes.
* That the Department, engages the National Treasury and Provincial Treasuries on resolving the disputes on historic debts. A progress report should be presented to the Committee on a quarterly basis.
* Develops a turnaround strategy that would focus on financial policies, internal controls and cash flow management in order to improve the entity’s financial position.
* That supply chain management policies are conformed to reduce inefficiencies.
  1. **OHSC**
* The Minister must table Ombud’s report to Parliament as required by the National Health Amendment Act 12 of 2013.
* That measures are put in place to mitigate recurrence of irregular, fruitless and wasteful expenditure.
* Monitors the processes of the promulgation of the norms and standards, and regulations.
  1. **CMS**
* Ensures that measures are put in place, such as dispute mechanisms, to reduce the financial burden from litigations.
* That the entity should play a critical role in addressing the affordability of medical schemes membership.
* Ensures simplicity of medical schemes’ information materials in order to inform and empower members.
* Develops a recruitment and retention strategy to ensure attraction and retention of skilled personnel.
* Ensures that the position of CEO and Registrar is filled.
  1. **CCOD**
* Ensures that annual reports and financial statements of the CCOD are audited and presented to the Committee.
* Facilitates and co-ordinates collaborations between the relevant Departments, namely Mineral resources, Labour and Health in ensuring harmonisation of the compensation legislation.

The Department of Health should respond to the recommendations within three months from the day the report is adopted by the House.

1. **CONCLUSION**

The report provided an assessment of the performance of the National Departments of Health and Entities on their financial and service delivery performance for 2016/17 financial year. The overall assessment and production of this report allows Parliament to make recommendations to the Minister of Finance to amend the budget of the Department of Health and its Entities.

Report to be considered.