

The Budgetary Review and Recommendations Report of the Portfolio Committee on Health for the 2013/14 financial year, dated 22 October 2014

The Portfolio Committee on Health (the Committee), having considered the performance and submissions to the National Treasury for the medium-term period of the Department of Health (the Department) and its entities, reports as follows:

1. INTRODUCTION

Over the past 20 years, major transformation has taken place in South Africa in health legislation, policy and the delivery of services to all South Africa.

Government's initiatives to ensure that all South Africans have access to good quality healthcare, irrespective of their financial status, include the proposed implementation of the National Health Insurance (NHI). NHI is aimed at addressing the country's health burden and ensure that South Africans become a healthy and productive nation. As part of the first phase, 10 pilot districts (KwaZulu Natal added one more district) were identified to test the feasibility of the NHI system.

Although government has improved the health status of South Africans, more work remains in order to meet the health objectives by 2030, as set out in the National Development Plan (NDP). The NDP's goals include raising the life expectancy of South Africans to at least 70 years, progressively improve TB prevention and cure, reduce maternal, infant and child mortality and significantly reduce prevalence of non-communicable chronic diseases (NCDs). The goals also include universal healthcare coverage, establishing primary healthcare (PHC) teams to provide care to families and communities, and filling vacancies in the healthcare sector with skilled, committed and competent individuals. Importantly, the NDP recognises the social determinants of health as having a significant impact on health outcomes.

According to the Twenty Year Review, issued by the Presidency in 2014, the life expectancy in the country has improved from 52.7 years in 2002 to 60 years in 2013. More recently, on its annual report presentation the Department reported that the MRC Rapid Mortality Surveillance indicates that life expectancy has increased to 61 years in 2014. The infant mortality rate has decreased from 63.5 deaths per 1 000 live births in 2002, to 41.7 deaths per live births in 2013. The under-five mortality rate has also decreased from 92.9 deaths per 1 000 live births in 2002, to 56.6 deaths per 1 000 live births in 2013. As a result of the impact of HIV and AIDS, South Africa's maternal mortality ratio (MMR) worsened, increasing from 150 per 100 000 in 1998 to 310 per 100 000 in 2008. However, MMR began decreasing steadily to 269 per 100 000 in 2010.

1.1. Mandate of the Committee

Parliament conducts its constitutional obligations through the work of Committees. The Portfolio Committee on Health derives its mandate from the Constitution and guided by the Rules of Parliament to play an oversight role over the Department of Health and its entities; facilitate the passing of legislation; and approve annual departmental budgets.

Section 77 (3) of the Constitution of South Africa provides for an Act of Parliament which will provide for a procedure to amend the Money Bills before it. The Money Bills Amendment Procedure and Related Matters Act, 2009 (Act 9 of 2009) thus enables Parliament to amend aspects related to tabled Money Bills. The objectives of this Bill are twofold:

- To establish a procedure to amend Money Bills before Parliament within the context of oversight findings and the adoption of the fiscal framework; and
- To establish a Parliamentary Budget Office to provide research support to Parliament and its Committees pursuant to maintaining oversight of the budget process and the possible amendment to Money Bills.

Parliament conducts its constitutional obligations through the work of Committees. Committees of Parliament facilitate the passing of legislation, approve annual departmental budgets and conduct oversight over departments falling within their perimeters. Section 5 (1) of the Money Bills Amendment Procedure and Related Matters Bill provides for the National Assembly (NA), through its committees, to annually assess the performance of each national department, with reference to the following:

- Medium Term estimates of expenditure, its strategic priorities and measurable objectives;
- Prevailing strategic plans;
- Expenditure reports relating to such department published by National Treasury in terms of Section 32 of the Public Finance Management Act;
- Financial statements and annual reports of such 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.

The Committee must table the Budgetary Review and Recommendations Report (BRRR) after the adoption of the budget and before the adoption of the reports on the Medium Term Budget Policy Statement (MTBPS) by the respective Houses in November of each year.

1.2. Core functions of the Department of Health

The major strategic framework for the mandate of the Department during the 2013/14 was the Health Sector Negotiated Service Delivery Agreement (NSDA) 2010 to 2014, which provides key strategies for accelerating progress towards the vision of “A long and Healthy Life for all South Africans”.

The four outputs required from the health sector in terms of the NSDA are:

- Increasing life expectancy;
- Decreasing child and maternal mortality rates;
- Combating HIV and AIDS and STIs, and decreasing the burden of disease from Tuberculosis (TB); and
- Enhancing health systems effectiveness.

The NSDA is reinforced by the National Development Plan (NDP) Vision 2030 which articulates nine goals that broadly endorse a health system which raises life expectancy, reduces infant mortality and the occurrence of HIV and AIDS, and significantly lowers the burden of disease. The plan highlights demographics and disease burden, health systems and the social and environmental determinants of health as being key areas in the country’s health system that need to be addressed. Achieving the plan’s objectives for the health sector will require a fundamental reform in the country’s health system. To this end, the department will focus on priority areas that include: infrastructure; human resources and management capacity, and norms and standards for staffing; accountability in planning and budgeting; capacity and systems in financial management; health financing; and key strategic institutions.

The Department’s 10 point plan for 2009-2014 serves as an important overarching and macro framework for overhauling the health system, to enhance its capacity to improve health outcomes,

and to harness focused interventions towards the NDP vision. The priorities comprising the 10 Point Plan are as follows:

- Provision of strategic leadership and creation of social compact for better health outcomes;
- Implementation of the National Health Insurance (NHI);
- Improving the quality of health services;
- Overhauling the healthcare system and improving its management;
- Improved human resources planning development and management;
- Revitalization of infrastructure;
- Accelerated implementation of HIV and AIDS, STI and TB strategic plan;
- Mass mobilization for better health for the population;
- Review the Drug Policy; and
- Strengthening Research and Development.

The activities of the department are organised in six programmes, comprising Programme 1: Administration; Programme 2: National Health Insurance, Health Planning and Systems Enablement; Programme 3: HIV and AIDS, Tuberculosis, Maternal and Child Health; Programme 4: Primary Health Care Services; Programme 5: Hospitals, Tertiary Health services and Human Resource Development, and; Programme 6: Health Regulation and Compliance Management.

The Department is also responsible for five entities that report to the Minister of Health as the executive authority. These entities are:

1. South African Medical Research Council (MRC)
2. Council for Medical Schemes (CMS)
3. National Health Laboratory Services (NHLS)
4. Compensation Commissioner for Occupational Diseases (CCOD)
5. Office of Health Standards Compliance (OHSC)

1.3. Purpose of the Budget Review and Recommendations Report

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. In October of each year, portfolio committees must compile Budgetary Review and Recommendation Reports (BRRR) that assess service delivery performance given available resources; evaluate the effective and efficient use and forward allocation of resources; and may make recommendations on forward use of resources. The BRRR also sources documents for the Standing/Select Committees on Appropriations/Finance when they make recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS). The comprehensive review and analysis of the previous financial year's performance, as well as performance to date, form part of this process.

1.4 Method

In order to enable the Committee to take an informed decision on the performance of the Department of Health for the financial year 2013/14, the Committee consulted the following reports and/or documents:

- Annual Performance Plan (2013/14);
- Annual Report of the Department of Health (2013/14);
- Report of the Auditor-General (2013/14);

- 2013/14 State of the Nation Address;
- First Quarter Expenditure Report (2014/15);
- 2014 Estimates of National Expenditure;
- The National Development Plan 2030;
- 2012/13 BRRR report; and
- Report of the Financial and Fiscal Commission.

2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

The 2013 State of the Nation Address (SONA) placed emphasis on a few points for the health sector in the 2013/14 financial year:

- The National Health Insurance (NHI) Fund would be established in the year 2014.
- Accelerate the progress made in the selected NHI pilot districts around the country, with the first group of about 600 private medical practitioners to be contracted to provide medical services in 10 of the pilot districts.

The February 2014 SONA recognised that Health remains one of the five priorities of government which also includes education, fighting crime, creating decent work as well as rural development and land reform. On issues of health, the following were highlighted:

- Three hundred new health facilities were built over the past five year, which includes 160 new clinics.
- Ten new hospitals were refurbished or built.
- 2.4 million People were initiated on antiretrovirals (ARVs) by 2013. The target is to increase this number to 4.6 million people.
- More than 20 million citizens have presented for HIV testing since the launch of the campaign in 2011.
- Increased life expectancy.
- Declining mother-to-child transmission (MTCT) of HIV.
- The South African National Aids Council (SANAC) was commended for its work.
- The National Health Insurance programme will extend healthcare to the poor.

Areas of priority that were highlighted in the June 2014 SONA included:

- Improved access to primary health care.
- Increasing life expectancy at birth from 60 years in 2012 to 63 years in 2019.
- Continue to invest in education and skills development including doctors. By January next year, the first intake of medical students will be enrolled at the new medical university in Limpopo.
- Reducing child and maternal mortality ratios.
- Implementation of the National Health Insurance.
- Improve the quality of care in the public sector.
- HIV and AIDS treatment and support programme by expanding mass HIV prevention communication campaigns.

During the period under review (2013/14), the Department of Health continued to focus on the key areas outlined in the 10 Point Plan and the signed NSDA. The Department's strategic goals over the MTSF 2009 – 2014 are to:

- Increase average male and female life expectancy at birth to 70 years by 2030.

- Decrease maternal mortality ratio from estimated 310 per 100 000 to 270 (or less) per 100 000 live births by 2014.
- Decrease child mortality ratio from current 42 deaths per 1 000 live births to 38 deaths (or less) per 1000 live births by 2014.
- Combat HIV and AIDS and decrease the burden of disease from tuberculosis.
- Strengthen the health system's effectiveness by focusing on reengineering primary health care (PHC) and improving patient care and satisfaction, health infrastructure, human resources for health, and healthcare financing through the implementation of the National Health Insurance and strengthening health information systems.

3. SUMMARY OF PREVIOUS KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF COMMITTEE

3.1. 2012/13 BRRR recommendations

3.1.1 Financial and non-financial performance recommendations made by Committee

For the financial year 2012/13, the Department spent its budget 99.4% of its budget in the previous financial year. Despite this achievement, the Department achieved only 39 (46%) of its 85 targets. Most of the programmes (3 of 6) performed below the 50% mark.

In view of these observations, the Committee recommended that the Minister of Health addresses the following key issues:

- Ensure that there are adequate norms and standards which are properly implemented to improve service delivery in provincial departments. It should also ensure that the Office of Health Standards Compliance (OHSC), as established by the National Health Amendment Act No.12 of 2013 is fully operational.
- Ensure that personnel who manage hospitals or health institutions are skilled professionals with medical or health background.
- Increase budget allocations towards mental health care services.
- Ensure that the cancer registry is up to date.
- Devise strategies for recruiting and retaining health professionals in peri-urban areas, particularly in rural areas.
- Monitor the provincial spending of the NHI grant and quarterly financial performance reports should be submitted to the Committee.
- Strengthen the implementation of the re-engineered PHC system, including maternal health as a priority.
- Closely monitor the burden of tuberculosis in the mining sector through surveillance of miners and their families.
- Expand the nationwide roll-out of the GeneXpert technology in strengthening the national TB programme.
- Ensure that the Compensation Commissioner for Occupational Diseases (CCOD) submits quarterly reports to the Committee.
- Ensure improved patient referral systems from primary health care services to higher levels of care. This will facilitate effective and efficient spending of the National Tertiary Services grant.
- Consider amending the National Health Laboratory Services Act so as to ensure that the entity is able to deliver on its mandate.

On progress made on the 2012/13 recommendations, the following were noted based on the Department's Annual Report for 2013/14:

- The OHSC Board was appointed and it was registered as a Section 3A Public Entity in 2014. The Office is not fully established as it is still in the transition process (shifting the Compliance Inspection and Complaints functions from the national Department of Health to the OHSC).
- The CCOD still has not tabled an annual report.
- The Department had developed an HRH (Human Resources for Health) plan to monitor vacancy rates in the health sector.
- The Department has secured funding from the Global Fund which will in part be used to strengthen TB services in peri-mining communities.
- There is no progress made by the Department with regard to updating the cancer registry.
- In relation to strengthening the implementation of the re-engineered PHC system, the Department continues to increase the number of functional ward-based PHC outreach teams (1063 established, target 750).

3.1.2 Evaluation of response by the Department and Minister of Finance

In 2012/13 the Committee recommended that the Department ensures the operation of the Office of Health Standards Compliance (OHSC), National Treasury ensured its full support towards the establishment of the OHSC and will make funds available (R10 million in 2015/16 and R10 million in 2016/17) to support the full establishment of the OHSC over the 2014 MTEF period.

With regards to increasing the budget allocation for mental health services, National Treasury noted that the budget for this sub-programme is not growing strongly. The preliminary allocation for psychiatric hospitals (which is a sub-programme in provincial budgets) over the 2013 MTEF period was R4 billion, R4.3 billion and R4.4 billion per year respectively. The national Department of Health did not submit a specific budget bid for mental health care services in the 2014 MTEF process.

On the recommendation to monitor provincial spending of the National Health Grant and the National Health Insurance Grant, National Treasury advised that improvements need to be focused on GPs contracting and thus agreement with GPs on the terms of the contractual arrangements as well as revise the 2014/15 NHI and national health grants frameworks to ensure that these are better targeted, with measurable outputs and outcomes.

On expanding the roll-out of the GeneXpert technology in strengthening the national TB programme, National Treasury allocated R338 million to provinces over the 2013 MTEF to roll out the technology. National Treasury is awaiting cost-effectiveness data on the implementation of GeneXpert to evaluate the intervention.

National Treasury noted the concern raised related to the CCOD not submitting annual reports or financial statements since 2009/10 and recommended that the department must put in place a set of interventions to improve the situation.

On amending the National Health Laboratory Services Act, National Treasury recommended that gatekeeping measures are required to limit unnecessary testing, for example through the use of a unique patient identifier. Although the creation of a new entity, the National Public Health Institutes of

South Africa, will help create a more focused diagnostic entity, the costs of its establishment are significant.

4. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

4.1 Financial performance 2013/14

For 2013/14, the Department (Vote 16) received a final appropriation of R30.5 billion, of which it spent R29.8 billion, which is 97.7 % of the available budget. The Department under-spent a total amount of R703 million, resulting in under-expenditure of 2.3%. This is a significant decrease compared to the previous financial year. Under-spending was mainly concentrated in Goods and Services and Capital. Goods and services were mainly underspent due to late commitments and deliveries whilst capital was underspent due to construction projects not completed by the 31 March 2014.

4.2 Programme expenditure 2013/14

Programme	Adjusted Budget	Actual Expenditure	Over / Under Spent	% Spent
	R'000	R'000	R'000	
ADMINISTRATION	405 505	363 980	41 545	89.8%
NATIONAL HEALTH INSURANCE, HEALTH PLANNING & SYSTEM ENABLEMENT	492 994	197 905	295 089	40.1%
HIV & AIDS, TB, MATERNAL & CHILD HEALTH	11 036 505	10 958 798	77 707	99.3%
PRIMARY HEALTH CARE SERVICES	100 960	88 199	12 761	87.4%
HOSPITALS, TERTIARY HEALTH SERVICES & HUMAN RESOURCE DEVELOPMENT	17 728 804	17 483 962	244 842	98.6%
HEALTH REGULATION & COMPLIANCE MANAGEMENT	763 413	732 273	31 140	95.9%
TOTAL	30 528 181	29 825 097	703 084	97.7%

Programme 1: Administration – this programme was allocated R405.5 million and spent R363. 9 million (89.6% of expenditure). This shows an under-expenditure of R41.5 million (10.37%). The majority of which was spent on Goods and Services (43.7 per cent) and Compensation of Employees (40.8%), and (15.6%) was on payment of capital assets. Under-expenditure in this programme has grown from R11.9 million in 2012/13 to R41.5 million in 2013/14. The under-expenditure in 2013/14 is reported to be due to lower spending on goods and services.

Programme 2: National Health Insurance, Health Planning and Systems Enablement—this programme was allocated R492.9 million with an actual expenditure of R197.9 million. This shows a massive under-expenditure of R295 million or 40.1%. In 2012/13, the Department was allocated R303.7 million and spent R293.2 million (96.5% expenditure) with an under expenditure of R10.5 million. Therefore, the under expenditure in this programme has increased dramatically compared to previous financial year. Reasons for the under expenditure is reported to be due to the slow take-off of the National Health Insurance (NHI) Indirect Grant.

Programme 3: HIV and AIDS, Tuberculosis, Maternal and Child Health— this programme consists of three sub-programmes that relate directly to the Millennium Development Goals (MDGs) 4, 5 and 6 which are critical indicators for the Department. This programme was allocated R11.035 billion and spent R10.9 billion (which translate to 99.3% expenditure) with an under-expenditure of R77.7 million in 2013/14. In the previous financial year the Department spent R9.1 billion of the allocated R9.2 billion (which translate to 99.3% expenditure) with an under expenditure of R64.8 million.

Programme 4: Primary Health Care (PHC) Services —this programme also houses a number of programmes identified as key policy interventions by the Department in improving the health service and reducing the quadruple burden of disease. These programmes include Primary Health Care (PHC)/ District Health Services, Non-communicable diseases (NCDs), and Violence and Trauma and EMS. However, the budget allocation for this programme declined from R761 million in 2011/12 to R113.8 million in 2012/13. It further declined to R100.9 million in 2013/14. This decline in budget is despite the fact that the Violence, trauma and EMS sub-programme was added.

The programme shows 87.4% expenditure outcome of R88.199 million (2012/13: R105 362 million or 92.6%), with under-expenditure of R12.761 million. The under-expenditure is mainly related to the District Services and Environmental health sub-programme which underspent by R8.550 million. No clear reason for this underspending is provided.

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. This programme has spent 98.6% (R17.483 billion) of its R17.728 billion allocated funds, resulting in under-expenditure of R244.842 million (1.4%). Only 5 of 12 targets set (41.6%) were achieved. No reason for the under-expenditure is given. Significant (in terms of amount) under-expenditure of R245.1 million was recorded in the Health Facilities Infrastructure Management sub-programme.

Programme 6: Health Regulation and Compliance Management —The aim of this programme is to regulate procurement of medicines and pharmaceutical supplies, including food control and trade in health products and health technology. It also promotes accountability and compliance by regulatory bodies for effective governance and quality of health care. This programme has spent 95.9% of its allocated funds, amounting to R732.27 million (up from R545.52 million 2012/13), with under-expenditure of R31.14 million. 15 of the 20 targets (75%) were achieved. R18.5 million was underspent by the Compensation Commissioner for Occupational Diseases (CCOD).

4.3 Virements

The following virements were affected by the Department during the 2013/14 financial year:

- R56 484 million from Goods and Services to Households (R1 522 million)

- Machinery and equipment (R3 517 million)
- Compensation of Employees (R18 713 million)

4.4 Report of the Auditor-General 2013/14

The AG has expressed an **unqualified audit opinion** of the Department's 2013/14 Annual Report. This means that the financial statement of the Department present fairly the financial position of the Department. The Department of Health has for the last three consecutive years obtained an unqualified audit opinion from the AG. However, the AG expressed its opinion with emphasis of matters. The matters includes, restatement of corresponding figures for 2013 financial year after an error was discovered in 2014; material underspending on conditional grants to the amount of R257 million on the Health Infrastructure Grant (Indirect) and R279 million on the NHI Grant.

The Compensation Commission (CCOD) was not audited again this financial year, the entity did not submit annual financial statements for audit purposes.

Reliability of information—predetermined objectives remains a challenge for the Department. The AG again found that there were issues in relation to the reliability of performance information on those indicators tested. The validity, accuracy and completeness of the performance information and deviations from planned targets could thus not be tested. Reliability of reported performance information at provincial facilities was again identified. The reliability of information is primarily impacted by inadequate information systems for the collection of data as well as manual internal control processes at facilities (clinics and hospitals) at provincial departments. The AG noted inadequate monitoring processes for the Division of Revenue Act (DoRA) framework and non-compliance with the PFMA as material misstatements were identified in the annual financial statements submitted for audit.

Conditional grants—the AG raised a concern regarding the under spending on the Health Infrastructure Grant (Indirect) amounting to R257 million (55%) and the NHI Grant (Indirect) amounting to R279 million (75%). The under spending on the NHI Grant (Indirect) contributed to the under spending on programme 2: Health Planning and System Enablement to the amount of R295 million. Expenditure and non-financial information were not adequately monitored for the programmes funded by the National Tertiary Services Grant and the Health Professional Training and Development Grant in accordance with the frameworks for the allocation. Internal control not adequately implemented to effectively monitor conditional grants.

Internal Controls

Financial and Performance Management—Management did not adequately implement controls over the daily and monthly processing of transactions that led to the financial statements being corrected. Also, management did not adequately implement internal controls designed to monitor conditional grants.

Unauthorised, irregular and fruitless and wasteful expenditure—the Department and entities did not incur any unauthorised expenditure during the 2013/14 financial year, however noted an improvement in irregular, fruitless and wasteful expenditure. Irregular expenditure has decreased from R2.3 million in 2012/13 to R188 000 in the current financial year. Fruitless and wasteful expenditure has also decreased from R660 million to R43 000.

Performance audits –A pilot audit is currently underway in the Eastern Cape on the management and logistics around medicines and is envisaged to be rolled out to the National Department and selected provincial departments.

Health Sector audit outcomes

All ten departments had findings on compliance. The majority of these related to material misstatements in annual financial statements submitted for audit, expenditure management and procurement management. Only the national department, North West and Western Cape received an unqualified opinion. An improvement was noted: Limpopo has moved from a disclaimer to a qualified opinion.

The AG noted that there has been a downward trend in unauthorised expenditure from R855 million in 2012/13 to R460 million in 2013/14 resulting from improved budgeting and budgetary controls by the department. Irregular expenditure remains a concern for the sector at R7.1 billion. Fruitless and wasteful expenditure decreased from R605 million to R289 million in 2013/14.

One of the risk areas of the health sector that is concerning is the financial health of the sector. Out of the 10 health departments, the financial health of the nine is of concern with Free State requiring intervention.

Public Entities Reporting to the Department

Public Entity	Approved budget (2013/14)	2014/15 Estimates	Achievements (2013/14)
Medical Research Council (MRC)	R715 mil	R808 mil	The MRC once again received a clean audit from the AG for the 2013/14 financial year. The AG only noted inadequate information technology systems controls.
Council Medical Scheme (CMS)	R110 mil	R123.1 mil	CMS received an unqualified audit opinion. Control weaknesses around supply chain management processes persists in this financial year.
National Health Laboratory Services (NHLS)	R4 630 mil	R5 057 mil	The NHLS received an unqualified audit opinion. Findings were related to non-compliance with the NHLS Act, material misstatements were identified in the annual financial statements. The concern for the NHLS relates to the collection of outstanding debts from Gauteng and KZN provincial departments of health.
Compensation Commissioner for Occupational Diseases (CCOD)	R221 mil	R255 mil	CCOD has not submitted financial statements or annual reports since 2010/11 to date.
Office of Health Standards Compliance (OHSC)	R77 mil	R97 mil	Newly established entity, established in April 2014

4.5 Report of the Financial and Fiscal Commission (FFC) 2013/14

The FFC noted that South Africa's health outcomes are poor and not in line with the Millennium Development Goals (MDG) targets. Spending on the six programmes has been fairly good although there is a slight decrease by 1.5% in the 2012/13 financial year. Spending on conditional grants remains a concern, particularly spending on theNHI and infrastructure grants. Compared to other government sectors, infrastructure spending on health on average is one of the lowest. There are discrepancies in provincial spending which translate into disparities in district funding.

The FFC raised concerns related to the national department taking over port health functions from provincial health departments. It contends that this move has no legal status as the FFC was not consulted with regard to moving functions from one sphere of government to another, as required by Section 2A(a) of the Financial and Fiscal Commission Act 99 of 1997.

The FFC recommended introduction of block grantsbut there was no consensus between the FFC and government. National Treasury viewed the block grant as potentially unconstitutional.

The FFC also observed the challenge of wastage of financial resources in the health sector,particularly with regards to irregular, fruitless and wasteful expenditure. This presents difficulty in determining whether health is budgeted for appropriately.

In addition, the FFC observed the lack of coordination between the three spheres of government in the health sector, and recommended that the system must be improved to ensure proper coordination between the three spheres of government.

4.6 Quarterly spending trends 2013/14

The expenditure performance could only be based on the first quarterly report while the second quarter is still being processed by the Department. By the end of June 2014, theDepartment spent R7.9 billion, or 23.3 %, the majority of which has been used on goods and services and payments for capital assets. Expenditure was slow under Goods and Services in which only R160.3 million or 11.6 percent was spent against a budget of R1.4 billion. Compensation of employees performed relatively better as R146 million or 24.4 percent was spent against an allocation of R597.2 million. The department transferred R7.6 billion or 24.6 percent against a total allocation of R30.9 billion

5. 2014/15 MTEF ALLOCATION

The Department receives an appropriation of R34 billion in the 2014/15 MTEF. An amount of R200 million has been added through the newly formed component of the national health grant to provide for the rollout of the Human Papilloma Virus (HPV) vaccine. An additional R30 million was approved for the national health demographic survey. Programme 5 receives an additional allocation of R70 million over the MTEF period for capital assets for the forensic chemistry laboratories and for commissioning the new laboratory in Durban. Allocations to the health facilities revitalisation component on the National Health Grant were reduced due to slow spending.

5.1. Overview of Vote allocation and spending (2012/13 - 2015/16)

Programme	2012/13			2013/14	2014/15	2015/16
	Main	Adjusted	Outcomes	Estimates	Estimates	Estimates
Administration	357.9	403.3	390.5	411.0	399.7	426.4
National Health Insurance, Health Planning and Systems Enablement	315.5	315.1	298.3	491.9	621.3	620.0
HIV and AIDS, TB, Maternal and Child Health	9 292.5	9 264.6	9 165.5	11 029.1	13 049.9	14 728.6
Primary Health Care Services	87.4	125.8	106.4	109.4	93.5	98.1
Hospitals, Tertiary Health Services and Human Resource Development	16 927.9	17 351.0	17 398.8	17 911.2	18 925.8	19 693.3
Health Regulation and Compliance Management	575.8	597.4	545.5	754.1	865.3	1 064.8
Total	27 557.0	28 057.2	27 898.9	30 706.7	33 955.5	36 631.1

6. OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY AND PROGRAMME PERFORMANCE 2013/14

6.1 Service delivery performance for 2013/14

For the financial year 2013/14, the department achieved only 65 (54%) of its 120 targets (Table 3). Most of the programmes (3 of 6) performed below the 50% mark. The Department appears to do better in relation to Programmes 1, 2 and 6. Only 33% of the targets for Programme 3 were fully achieved, and for Programmes 4 and 5, less than 50% of the targets were achieved.

Table 3: Programme Performance Overview

Programme	Number of targets	Achieved	Not fully achieved	Percentage Achieved
1. Administration	9	7	2	78%
2. Health planning and system enablement	19	14	5	74%
3. HIV and AIDS, TB and Maternal, Child and women's health	24	8	16	33%
4. Primary Health Care Services	29	14	15	48%
5. Hospitals, Tertiary Services and Workforce Development	15	7	8	47%
6. Health Regulation and Compliance	24	15	9	63%
Total	120	65	55	54%

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 – Seven out of nine targets (78%) are reported achieved in 2013/14 compared to only 50% of targets achieved in 2012/13. It should be noted that the Department's targets increased from 6 in 2012/13. The targets that were not achieved under this programme include 6 managers who did not sign performance agreement as planned. The total number of managers signed the performance agreement is 103 of 109. Another deviation from the planned targets includes delays in the development of the department-wide Business Continuity Plan.

Programme 2: National Health Insurance, Health Planning and Systems Enablement – Fourteen (14) of 19 targets (74%) are reported achieved. The Department reported experiencing difficulty in contracting with private GPs to work in public health facilities in National Health Insurance (NHI) pilot sites. It was only able to contract 119 GPs from a 600 target for 2013/14. This component makes up approximately 95 per cent of the total grant value.

Another deviation from the planned targets under this programme is the envisaged implementation of the Monitoring and Evaluation (M&E) Plan for Health. The Department did not implement the M&E plan and only managed to review and revise it.

Programme 3: HIV and AIDS, Tuberculosis, Maternal and Child Health – Under this programme, the Department fully achieved only 8 of 24 planned targets. This means that the Department spent 99.3 per cent of its allocated budget under this programme and only achieved approximately 33.3% of its targets. Nearly 70 percent of the planned targets were not fully achieved despite spending nearly the entire budget.

The under-expenditure in this programme is due to delays in the procurement of condoms; initially the Department tendered local suppliers, after it became evident that these suppliers could not deliver the required quantities orders were placed with the United Nation Population Fund (UNPFA). A roll-over request was received because condoms were procured but not delivered by end of 2013/14.

The Auditor General (AG), as in previous years raised issues on the reliability of the data in this programme. Performance information provided may thus not be accurate.

In terms of HIV and AIDS, 662 312 new clients were put on antiretroviral treatment (ART) exceeding the target set of 500 000. South Africa has the largest ARV programme in the world. The PMTCT programme is also doing very well (see below). However, the targets related to Medical Male Circumcision (MMC) and HIV testing were not achieved.

Only two of the eight targets for TB were achieved. These include the number of tests conducted with GeneXpert, which was 2.1 million, exceeding the target of 800 000 by over 1.3 million, as well as an increased number of confirmed MDR TB clients initiated on treatment. The latter could also be looked at as a failure as it could mean that earlier TB treatment was ineffective or not completed. Only 88.7% of TB clients were tested for HIV despite the Department highlighting the high co-infection rate of TB and HIV.

The Department seems to be doing poorly with regards to maternal health issues. The targets relating to delivery in facility, mother postnatal visit within 6 days and antenatal 1st visit before 20 weeks were all not reached. This is of concern.

The PMTCT rate has improved from 2.5% to 2% which is a significant improvement, and it appears the Department is on its way to getting it down to zero. However, other measures related to infant and child health have not been fully achieved. Those not achieved include the measles second dose coverage as well as those indicators related to the Integrated School Health Programme.

Programme 4: Primary Health Care (PHC) Services – In terms of performance only 14 of the 29 targets (48.3%) were fully achieved. Seven of the twelve new indicators were achieved. This potentially represents poor performance and poor budget expenditure.

The Department achieved 5 out of the 8 targets related to Primary Health Care (PHC), including surpassing the target for number of ward based PHC outreach teams (1063 established, target 750). However, the critical indicator related to PHC utilisation was not achieved. The Department is considering changing the targets given the (new) census data. With regards to Malaria, the Department reports having achieved its targets in percentage format. However, it is of concern that the number of cases of malaria appears to have increased from 1404 cases in 2012/13 to 4247 cases from local and unknown origin in 2013/14

For non-communicable diseases (NCD) a number of targets were not fully reached including the establishment of the National Health Commission, developing a 5-year strategic plan for NCDs, and passing regulations on Graphic Health Warnings (GHWs) on tobacco products and warning labels on alcohol containers.

Programme 5: Hospitals, Tertiary Health Services and Human Resource Development – only 5 of 12 targets set (41.6%) were achieved. No reason for the under-expenditure is given. Significant (in terms of amount) under-expenditure of R245.1 million was recorded in the Health Facilities Infrastructure Management sub-programme. The Department reports that 91 projects were cancelled, 842 projects were in various stages of construction, 587 projects were in different stages of planning, 39 projects were handed over, and 409 were in retention stage.

Programme 6: Health Regulation and Compliance Management – Zero of the 2 targets related to the registration of medicines were achieved. There is no significant improvement in relation to Benefit Medical Examination (BME) Services to mineworkers. In fact there is a decline as in the previous year 12 242 examinations were conducted against a target of 18000. The target was reduced significantly from 18000 to 7500 in 2013/14 and the performance has also declined from 12 242 to 10601 medical examinations conducted.

7. COMMITTEE'S OBSERVATIONS AND RESPONSES

7.1 Key sector achievements

- The introduction of the Human Papilloma Vaccine (HPV) vaccination in schools is a significant public health milestone and is expected to reduce cervical cancer and reduce associated morbidity and mortality.
- Launch of a new contraception, the sub-dermal implant, which will increase the choice of contraceptives already available to South African women.
- In reducing mother-to-child transmission of HIV, the Department has introduced the Fixed Dose Combination (FDC) antiretroviral drug to all women who tested HIV positive regardless of CD4 count.
- The Department has secured funding from the Global Fund for HIV, TB and malaria, which will be used to strengthen TB services in Correctional Services, peri-mining communities, and to further decentralise multi-drug-resistant TB services.
- In order to prevent drug stock-outs at facility level, the Department has introduced an early warning system as well as a toll free line to report low stock levels.
- There are improvements in health outcomes: the overall life expectancy has increased from 60 years in 2012 to 61 years in 2014; child mortality from 56 to 41 per 1000 live births; and infant mortality from 39 to 27 per 1000 live births.
- The Department's vacancy rate is at 4.3% which is below the DPSA's target of 10%.

7.2 Key sector challenges

- Contracting of General Practitioners (GPs) for NHI remains a challenge, including the slow uptake from potential GPs attributed to contractual concerns.
- Scaling up of HIV prevention interventions through HIV Counselling and Testing (HCT), Medical Male Circumcision (MMC), integration of HIV and AIDS and TB and prevention of mother to child transmission (PMTCT) needs to be strengthened.
- The CCOD has not submitted annual financial statements for auditing purposes since 2010/11 and annual reports have not been submitted to Parliament since 2009/10. This remains a concern as it is a contravention of the Public Finance Management Act (PFMA) No.1 of 1999.
- The slow spending of allocated funds for infrastructure projects and for the National Health Insurance remains a challenge.
- The country is facing a dire shortage of health professionals particularly specialists, GP's and nurses.
- Training of Emergency Medical Services (EMS) personnel, improved response time and the shortage of emergency response vehicles remains a challenge.
- Neonatal and maternal mortality remains high in South Africa.
- There is lack of data on community health care workers and their coordination thereof.

- The financial health of the health sector is of great concern.
- Wastage of financial resources remains a significant challenge.

7.3 Technical issues

- The Committee noted that the Department's Annual Performance Plan (APP) has several indicators with annual targets as opposed to quarterly targets as required. This presents a challenge for the Committee to actually assess quarterly performance of the Department.

7.4 Governance and operational issues

- The Department has again achieved an unqualified audit report. However, on-going concerns raised with regards to the lack of reliability of performance data should be acted on as a priority.
- As in previous years, monitoring of conditional grants spending should also be prioritised, as well as dealing with under-expenditure.
- The continuous non-submission of the Compensation Commissioner for Occupational Disease (CCOD's) annual report and financial statements remains a concern and urgent intervention must be made in this regard.
- Lack of the coordination between the three spheres of government needs urgent intervention.
- The movement of port health functions from provincial departments of health to the national department, without following legal processes with regard to consulting the FFC is a concern.

7.5 Financial performance

- Overall, the department is performing well with regards to spending on their allocated budget. The Department spent 97.7% of its adjusted budget. However, there are pockets of under-spending.
- Programme spending levels ranged from 40.1% to 99.3%. Some programmes under-spent their budget significantly. For example, Programme 2: National Health Insurance, Health Planning and System Enablement under-spent by 40.1%. In general, under expenditure has decreased compared to the previous financial year.
- The Department again performed poorly with regards spending on conditional grants. Under expenditure of the infrastructure and national health insurance remains a concern.
- Expenditure and non-financial information were not properly monitored for the programmes funded by the various grants.
- The AG noted a decline in sector unauthorised expenditure and fruitless and wasteful expenditure from R855 million to R460 million and R507 million to R289 million respectively. Noting this improvement the Committee is still concerned about the high level of irregular, fruitless and wasteful expenditure.
- In terms of the equitable share of revenue, 92% of the Department's budget goes to transfers and subsidies, of which provincial health departments receives the bulk of the share and yet performance remains poor.

7.6 Service delivery performance

- The Department reported high budget expenditure but poor performance against set targets in some programmes. This is a concern in terms of value for money.
- The AG noted that one of the root causes of poor performance in the health sector is attributed to the lack of consequences for poor performance and transgressions.

- Performance related to maternal mortality needs urgent intervention as the maternal mortality rate remains high.
- In terms of percentage of targets fully met, overall performance was at 54%. The worst performing programme is programme 3. In relation to targets set in the APP, programme 3 achieved 33.3% of its targets. Programme 5 which also receives a large budget, only achieved 47% of its targets.
- Most targets pertaining to infant and child health were not fully achieved. Those not achieved include the measles second dose coverage as well as those indicators related to the Integrated School Health Programme coverage of Quintile 1 and Quintile 2 schools.
- The PMTCT rate has improved from 2.5% to 2% which is a significant improvement, and it appears the Department is on its way to getting it down to zero.

8. RECOMMENDATIONS

Having made the above-mentioned observations, the Committee recommends the following to the Minister of Health:

8.1 Financial performance recommendations

- Ensure that the Department adopts strategies to ensure improved spending of the infrastructure and National Health Insurance grant.
- That the Department improves on monitoring processes for the Division of Revenue Act framework.
- The Department should indicate in detail by way of report, how it is assisting in improving (financial) management in struggling provinces such as Mpumalanga, Free State, Eastern Cape, Gauteng and Limpopo.
- The PHC re-engineering will require more funding to make it viable.

8.2 Non-financial recommendations

- That the Department increases training and retention of GPs, specialists, nurses, allied health professionals and administration staff.
- The Department should ensure increased funding to train more medical professionals.
- More health professionals and non-professionals should be trained in programmes focusing on HIV and AIDS, STIs, TB and chronic disease management.
- That the Department ensures improved management of multidrug resistant tuberculosis (MDR-TB) through full implementation of the National Strategic Plan on HIV, STIs and TB 2012-2016.
- The Department should ensure that tertiary hospitals are refurbished, equipped and staffed.
- All health facilities must be refurbished to comply with norms and standards in order to achieve the desired ideal facility status.
- There is an urgent need to significantly increase the capacity of nursing colleges. The Department should ensure that the 12 nursing education institutions are also urgently upgraded.
- All health facilities must be migrated to digital and broadband in a timely and cost effective manner.
- Present a turnaround plan to address the recurring issue related to quality of data as reported by the Auditor-General for the past three years.
- Provide a progress report to the Committee with regard to the White Paper on NHI and the NHI funding model.

- Ensure that the Office of Health Standards Compliance is fully operational in terms of staffing and financial resources to ensure that it carries out its mandate of enforcing quality of health care.
- That the Department develops a Community Health Care Workers (CHWs) Policy and a plan to integrate services rendered by CHWs.
- That the Department reports to the Committee on the steps taken to address the CCOD's non-compliance to the PFMA.
- That the Department places greater emphasis on improving on health outcomes, especially those related to infant and maternal health.
- The Department should ensure that capacity for public health facilities to collect revenue is accelerated.
- The Department must put measures and system to minimise irregular, fruitless and wasteful expenditure in the health sector and there must be consequences for officials responsible for transgressions.
- Underspending and simultaneously asking for money should be discouraged (e.g. Programme 5).
- That the Department facilitate and develop the capacity to manufacture condoms in the country.
- That the capacity to manufacture medicines must be boosted in order to, amongst other things, bring down the prices of medicines and make them more accessible. Special emphasis should be placed on the manufacturing of ARVs in the country.
- The Department should develop systems and measures to address challenges related to Emergency Medical Services.
- In the next financial year, the Department should ensure that the APP reflects quarterly targets as opposed to annual targets to enable the Committee to perform effective oversight.
- The Department should develop systems to ensure coordination beyond provincial government; that is to include local government.
- The Department should engage the Financial and Fiscal Commission as a matter of urgency on the transfer of port health functions from provincial government and provide the Committee with a progress report in this regard.
- The Department should further consider the recommendations which were not realized arising from the previous BRR Report (2012/13), such as increasing the budget allocation for mental health services, updating the cancer register etc.

APPRECIATION

The Committee would also like to commend the good work that is being done by the Department of Health and its entities, in implementing government policies and in ensuring that health care service delivery improves in South Africa.

The Department should be commended for launching the momConnect project which is aimed at reducing maternal mortality using messaging services to create awareness among pregnant women on available health services.

Report to be considered.