**Budgetary Review and Recommendation Report of the Portfolio Committee on Health, dated 17 October 2013**

**1. Introduction**

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.

**1.1. Mandate of Committee**

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 report relating to such department published by National Treasury in terms of Section 32 of the Public Finance Management Act;

·         Financial statements and annual report 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.

Section 5 (2) makes provision for the annual submission of the Budgetary Review and Recommendations Report (BRRR) for tabling in the National Assembly for each department.  It is expected of the BRRR to report on the following:

·         Assessment of the department’s service delivery performance given the available resources;

·         Assessment on the effectiveness and efficiency of the department’s use and forward allocation of available resources; and

·         May include recommendations on the forward use of resources.

**1.2. Core functions and policy priorities of the Department of Health**

The Department of Health derives its mandate from the Constitution. *Section 27(1)(a)*of the Constitution states that “Everyone has the right to have access to health care services, including reproductive health care”. *Section 27(3)*further notes that “no one may be refused emergency medical treatment.” *Section 28(1)(c)*further gives every child the right to “basic nutrition, shelter, basic health care services and social services”. Finally, schedule 4 of the Constitution makes health care services both a national and provincial legislative competence and/or imperative.

In line with its constitutional obligations, the vision of the Department is ‘a long and healthy life for all South Africans’. Its mission is to improve health status through prevention of illness and disease, through the promotion of healthy lifestyles, and to consistently improve the health care delivery system by focusing on access, equity, efficiency, quality and sustainability.

Government adopted an outcome-based approach to service delivery and the health sector is responsible for the achievement of Outcome 2 which is a long and healthy life for all South Africans. The Department has therefore identified four outputs as follows:

· **Output 1:**Increasing life expectancy;

· **Output 2:**Decreasing maternal and child mortality;

· **Output 3:**Combating HIV and AIDS and decreasing the burden of diseases from tuberculosis; and

· **Output 4:**Strengthening Health System Effectiveness

The department’s strategic goals over the medium term are to:

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

·         Decrease maternal mortality ratio from an 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 1000 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 (TB).

·         Strengthen the health system’s effectiveness by focusing on reengineering primary health care and improving patient care and satisfaction, health infrastructure, human resources for health, and healthcare financing through the implementation of the National Health Insurance (NHI) and strengthening health information systems.

The activities of the Department are organised in six programmes. These are as follows:

**Programme 1: Administration**

The aim of this programme is to provide overall management of the department and centralised support services.

**Programme 2: National Health Insurance, Health Planning and Systems Enablement**

Improve access through the development and implementation of policies to achieve universal coverage through integrated health systems planning, improving access to quality health services, reporting, monitoring, evaluation and research.

**Programme 3: HIV & AIDS, TB and Maternal, Child and Women’s Health**

Develop national policy and coordinate and fund HIV and AIDS, Tuberculosis (TB), maternal, child health and women’s health programmes.  Develop and oversee implementation of policies, strengthen systems, set and norms and standards and monitor programme implementation.

**Programme 4: Primary Health Care Services (PHC)**

Develop and oversee the implementation of legislation, policies, systems, norms and standards for a uniform District Heath System (DHS), environmental health, communicable and non-communicable diseases, health promotion and nutrition.

**Programme 5: Hospitals, Tertiary Services and Workforce Development**

Develop policies, delivery models and clinical protocols for hospital and emergency medical services.  The programme also ensures that Academic Medical Centres (AMC’s) and health workforce development programmes are aligned.

**Programme 6: Health Regulation and Compliance Management**

Regulate procurement of medicines and pharmaceutical supplies, including food control; trade in health products and health technology as well as to promote accountability and compliance by regulatory bodies for effective governance and quality of health care.

**1.3. Purpose of the BRR 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 2012/13, the Committee consulted the following reports and/or documents:

·         The State-of-the-Nation Address (SONA);

·         Reports of the Auditor-General;

·         Reports of the National Treasury;

·         Fact-finding visit (or oversight);

·         Prior BRRR report; and

·         Committee meetings (Briefings).

**2. Overview of the key relevant policy focus areas**

**The State of the Nation Address**

The 2013 State of the Nation Address, highlighted significant achievements made by the health sector including the improvement in life expectancy amongst South Africans, from an average baseline of 56 years in 2009 to 60 years in 2011; the integration of HIV and TB services; the discovery of broad neutralising antibodies against HIV; appointment of new trustees of the South African National AIDS Council Trust; prepare for the implementation of the NHI through GPs contracting in the 10 pilot districts. The President further highlighted the alarming increase in diseases of lifestyle, which requires interventions such as lowering the levels of smoking, harmful effects of alcohol, poor diets and obesity.

**NDP 2030 and Development Indicators 2012**

The NDP 2030 emphasises a national health system underpinned by the equalising principles of primary health care and decentralised, area-based, people-centred approach of the district health system. The NDP envisions a health system that works for everyone and produces better health outcomes. The plan highlights the following important areas of the South African health system for attention to demographics and disease burden, health systems, and the social and environmental determinants of health.

**The Health sector’s 10 Point Plan**

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 Millennium Development Goals.

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.

**Budget Review**

The 2013 Health budget aimed to strengthen prevention and treatment programmes for TB and HIV and AIDS. An amount of R338 million was allocated to provinces over the medium term to roll out new diagnostic technology for TB (GeneXpert), while R484 million was allocated to offset a decrease in the United States donor funding for Aids programmes. The National Institute of Communicable Diseases received R78 million to strengthen surveillance of rotavirus, pneumococcus, HIV, tuberculosis and other infectious diseases, with R800 million set aside to expand antiretroviral treatment to cover 500,000 more people per year.

The Medical Research Council received R440 million over the MTEF to improve research programmes and infrastructure and to support joint projects carried out with development partners. The department reprioritised R30 million per year over the MTEF period to pay for technical support from the DBSA and the CSIR to improve the management and delivery of health infrastructure projects.

**Delivery agreement targets for 2012/13 and 2013/14**

Selected performance indicators and targets

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Indicator** | **Programme** | **Outcome** | **Current** | **Projected** |
| **2012/13** | **2013/14** |
| Number of provinces with financial improvement plans per year | Administration |  | 9 | 9 |
| Tuberculosis new pulmonary cure rate per year | HIV and AIDS, TB, Maternal and Child Health |  | 80% | 85% |
| Tuberculosis new pulmonary defaulter rate per year | HIV and AIDS, TB, Maternal and Child Health |  | <5% | <5% |
| Total number of new patients put on antiretroviral treatment | HIV and AIDS, TB, Maternal and Child Health |  | 500 000 | 500 000 |
| Immunisation coverage for children under the age of one per year | HIV and AIDS, TB, Maternal and Child Health | Outcome 2: A long and healthy life for all South Africans | 90% | 90% |
| Measles immunisation coverage per year (second dose) | HIV and AIDS, TB, Maternal and Child Health |  | 90% | 90% |
| Proportion of infant first PCR test positive within two months after birth out of all babies tested | HIV and AIDS, TB, Maternal and Child Health |  | 3.5% (6 weeks) | 2% (within 2 months) |
| Proportion of antenatal first visits before 20 weeks | HIV and AIDS, TB, Maternal and Child Health |  | 60% | 65% |
| Primary health care utilisation rate: Average number of primary health care visits per person per year | Primary Health Care Services |  | 2.8 | 2.9 |

**Key developments in the organisational and service delivery environments of Department for 2012/13 and 2013/14 MTEF cycle**

During the period under review, South Africa continued to confront the quadruple burden of disease including: HIV and TB, high maternal and child mortality, increasing burden of non-communicable diseases (NCDs) and violence and injuries. However the country has seen a 10% improvement in life expectancy of South Africans largely attributed to the scale-up of the antiretroviral therapy (ART) programme and success of the prevention of mother to child transmission (PMTCT) programme.

In 2012/13 the department has appointed a Chief Operating Officer and a Deputy Director-General for Primary Health Care. The Department’s Human Resources Plan for 2012-2014 was approved and filed with the DPSA. The HR Plan will be used to guide the department in ensuring that it is adequately resourced in order to deliver on its mandate.

In terms of policy development and legislative changes, the department has published 83 regulations, introduced the Mental Health Amendment Bill in Parliament, received approval on the National Health Amendment Bill, and currently drafting White Paper and revising the Green Paper on NHI.

**3. previous key financial and performance recommendations of Committee**

·         The Department of Health should ensure that traditional leaders and communities are better educated about the importance of medical male circumcision and continuously ensure that sterile equipment and consumables are made available.

·         The Department should increase its focus on the Primary Health Care programme by increasing funding and human resources in order to reduce hospital overcrowding and move away from hospital centralism.

·         The Department of Health should also prioritise rural health and ensure that rural health institutions are supported with the necessary resources.

·         The Department should allocate additional funds for hospital revitalization and monitor spending, in preparation for the Office of Health Standards Compliance.  This will assist health institutions when they are assessed on the prescribed norms and standards.

·         The Department of Health should regulate the functioning of the private healthcare industry, including collecting health data, and also play an oversight role.

·         The National Department of Health should provide support to the Eastern Cape and Limpopo Provincial Departments of Health especially with regards to upgrading of infrastructure and improvement and strengthening of health services.

·         The Minister of Health should ensure that people who manage hospitals or health institutions are skilled professionals with medical background.

·         Academic and tertiary hospitals should be run by the National Department of Health.  This will alleviate budget constraints provinces are faced with.

·         The Department should ensure that the cancer registry is updated.

·         The Department of Health should consider amending the National Health Laboratory Services Act so as to ensure that the entity is able to deliver on its mandate.

·         The Department of Health should increase its budget allocation to the Medical Research Council (MRC) to enable it to do more research in assisting the country in the fight against the high burden of diseases.

**Evaluation of response by the Minister of Finance**

The recommendation on increasing the budget for primary health care budget was supported by the National Treasury of which additional allocations in the 2013 budget have been made within the programme towards TB to support the nationwide rollout of the GeneXpert technology.

The National Treasury acknowledged the need for additional funding for hospital revitalisation and thus allocated R14.9 billion to this programme over the MTEF period. Additional funding has been provided for the Infrastructure Unit Support Systems (IUSS) and to improve the management of hospital revitalisation and public private partnerships, with allocations totalling R53.1 million, R54.3 million and R55.8 million over the spending period.

On the recommendation to place academic and tertiary hospitals under the National Department of Health to alleviate budget constraints in provinces, the National Treasury advised that the necessary legislative amendments and administrative and contractual aspects of these changes needs to be effected and also cautioned that this shift will not in itself alleviate budget constraints.

With regard to the recommendation to increase the MRC budget, the National Treasury provided an additional R100 million in 2015/16. Funds have also been made available from the Economic Competitiveness and Support Package to support medical research.

**4. FINANCIAL PERFORMANCE FOR 2012/13 OF THE DEPARTMENT AND ENTITIES**

**4.1. Overview of Vote allocation and spending (2009/10 - 2014/15)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **2009/10** | **2010/11** | **2011/12** | **2012/13** | | | **2013/14** | **2014/15** |
| Outcomes | Outcomes | Outcomes | Main | Adjusted | Outcomes | Estimates | Estimates |
| Administration | 273.4 | 263.0 | 328.2 | 357.9 | 403.3 | 390.5 | 411.0 | 424.8 |
| National Health Insurance, Health Planning and Systems Enablement | 142.7 | 97.2 | 161.1 | 315.5 | 315.1 | 298.3 | 491.9 | 637.5 |
| HIV and AIDS, TB, Maternal and Child Health | 4 923.5 | 6 471.3 | 7 914.9 | 9 292.5 | 9 264.6 | 9 165.5 | 11 029.1 | 12 866.7 |
| Primary Health Care Services | 249.6 | 82.3 | 94.9 | 87.4 | 125.8 | 106.4 | 109.4 | 106.1 |
| Hospitals, Tertiary Health Services and Human Resource Development | 13 139.2 | 15 065.7 | 16 698.4 | 16 927.9 | 17 351.0 | 17 398.8 | 17 911.2 | 19 072.8 |
| Health Regulation and Compliance Management | 440.3 | 540.7 | 515.4 | 575.8 | 597.4 | 545.5 | 754.1 | 816.4 |
| **Total** | **19 168.6** | **22 520.3** | **25 712.8** | **27 557.0** | **28 057.2** | **27 898.9** | **30 706.7** | **33 924.3** |

**4.2. Financial performance 2012/13**

During the period under review, the Department received R28 057 203 billion, of which it spent R27 894 223 billion, which is 99.4 % of the available budget. The Department under-spent a total amount of R162 980 million, resulting in under-expenditure of 0.6%. This is a significant decrease compared to the previous financial year. Under-spending was mainly concentrated in Goods and Services which were attributed to late commitments and deliveries. Capital expenditure was under-spent due to delays in delivery of IT equipment.

**Quarterly spending trends**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **R million** | **Q1** | **Q2** | **Q3** | **Q4** |
| Approved expenditure | 7 273 | 14 763 | 21 620 | 28 057 |
| Actual expenditure | 6 635 | 14 041 | 21 068 | 27 894 |
| Variance (%) | 8.80% | 4.90% | 2.60% | 0.60% |

The department spent R14 billion (50%) of the total available budget by the end of second quarter. The department was behind on total spending by R722.3 million in the third quarter, by the fourth quarter the department had spent 100 percent of the total available budget.

**Virements**

Virements made were of R35 million within the Compensation of Employees budget, R66.5 million within the Goods and Services budget and R1.124 million from Goods and Services to Transfers and Subsidies.

**Final total and programme expenditure 2012/13**

|  |  |  |
| --- | --- | --- |
| **R million** | **Final Appropriation** | **Actual Expenditure** |
| Administration | 402 434 | 390 478 |
| National Health Insurance, Health Planning and Systems Enablement | 303 794 | 293 286 |
| HIV and AIDS, TB, Maternal, Child and Women’s Health | 9 230 346 | 9 165 474 |
| Primary Health Care Services | 113 842 | 105 362 |
| Hospitals, Tertiary Health Services and Human Resource Development | 17 423129 | 17 398 756 |
| Health Regulation and Compliance Management | 583 658 | 545 526 |
| **Total** | **28 057 203** | **27 898 882** |

**Report of the Auditor General**

The expenditure and non-financial information were not adequately monitored for the programmes funded by various conditional grants. Quarterly performance reports were not submitted within 45 days after the end of each quarter to the National Treasury.

The AG noted that unauthorised, irregular, fruitless and wasteful expenditure remains an area of concern for the health sector. In 2012/13 unauthorised expenditure incurred has decreased from R1.3 billion in 2011/12 to R855 million. Irregular expenditure was found to be at R7.8 billion in the current financial year, up from R7.6 billion the previous financial year. Fruitless and wasteful expenditure also increased from R507 million to R605 million.

Other matters raised by the AG were related to employees of the department performing remunerative work outside their employment in the department without written permission; annual leave taken by employees was not recorded timely;  data reported by the department having many weaknesses; and internal controls not being fully implemented regarding performance management.

Of the provincial departments, only two received an unqualified audit opinion which is the North West and the Western Cape.  Those who received qualified audit opinion reasons stated were related to immovable tangible assets, receivable for expenditure, impairments, contingent liabilities, fruitless and wasteful expenditure, employee benefits, accruals, commitments and incorrect classification of expenditure. Those provinces are Eastern Cape, Northern Cape, Mpumalanga, KwaZulu Natal, Gauteng and Free State.  The Limpopo province received a disclaimer.

**Report of the Financial and Fiscal Commission (FFC)**

The FFC analysed the Department’s Health strategic plans, performance plan and spending patterns. Highlighted is that South Africa’s health outcomes are poor despite the country spending is on par with its peer countries. According to the FFC the DOH’s budget is driven by Programme 3 and 5, making up 94% of the total allocation.  Slight under-spending was identified in Programme 4 and 6. Provinces over expenditure were reported in the Eastern Cape, Limpopo, Gauteng and Northern Cape. Under-spending of the NHI grant was highlighted by the FFC, with no audited financial performance of the grant recorded for prior and current financial year.

The FFC recommends that the Department extends its ongoing efforts to reform the health fiscal frameworks by taking into account the burden of disease giving rise to budget pressures; develop norms and standards for funding and delivery on health; as well as consolidate the conditional grants into a conditional grant at the same time address underlying drivers of poor performance and effect improvement in accountability. Of critical importance, the department needs to address challenges related to institutional failure and inconsistent provincial budget performance which consequently impacts on the Department’s performance.

**4.3. 2014/15 MTEF financial allocations**

· **Programme 1:**Administration - R424.8 million

· **Programme 2:**National Health Insurance, Health Planning and Systems Enablement - R637.5 million

· **Programme 3:**HIV/AIDS, TB and Maternal, Child and Women’s Health - R12 866.7 billion

· **Programme 4:**Primary Health Care Services - R106.1 million

· **Programme 5:**Hospitals, Tertiary Health Services  and Human  Resource Development - R19 072.8 billion

· **Programme 6:**Health Regulation  and Compliance Management - R816.4 million

Significant increase in spending over the medium term was in the National Health Insurance, Health Planning and Systems Enablement programme as a result of the NHI pilot in the 10 districts. Spending in the Primary Health Care Services programme is projected to decline over the 2014/15 MTEF period. The bulk of spending is expected in the Hospitals, Tertiary Health Services and Human Resource Development programme.

**4.4. Public Entities**

|  |  |  |  |
| --- | --- | --- | --- |
| **Public Entity** | **Approved budget (2012/13)** | **Amount spent (2012/13)** | **Achievements (2012/13)** |
| Medical Research Council | 592 458 | 530 045 | The MRC received a clean audit from the AG for the 2012/13 financial year. However, the council has achieved only 46% of its targets. This is a decline from the previous financial year. Overall an improvement in key controls was noted and was related to the internal control environment for the MRC |
| Council Medical Scheme | 4 310 | 4310 | CMS received an unqualified audit opinion. A regression was noted by the AG in the quality of financial statements submitted by CMS |
| National Health Laboratory Services | 84 640 | 84 640 | The NHLS received an unqualified audit. Only 14 (last year only 19) of the 25 targets were achieved, meaning that 44% (last year 24%) of the targets were not achieved. This was largely attributed to cash flow problems. |

**4.5. Concluding comments on financial performance**

The Department of Health has again received an unqualified opinion with additional matters raised in the AGSA’s report. Overall the department is performing well with regards to spending. However, there are pockets of under-spending. The department spent 99.4% of its adjusted budget. Programme spending levels ranged from 95.9% to 99.9%. However, some sub-programmes under-spent their significantly. For example, the TB sub-programme under-spent by 35%, the nursing services under-spent by 60% and Office for Health Standards Compliance (OHSC) under-spent by 36%. There was also under-spending on Transfer payments, capital and on Goods and Services. In general, under expenditure has decreased compared to the previous financial year.

The department again performed poorly with regards to monitoring conditional grant spending. Expenditure and non-financial information were not properly monitored for the programmes funded by the various grants.  Quarterly reports were not submitted timeously.

The department again did not submit an annual report on the Compensation Commissioner for Occupational Diseases. This is a contravention of the PFMA.

**5. Overview and assessment of service delivery performance**

**5.1. Service delivery performance for 2012/13**

For the financial year 2012/13, the department achieved only 39 (46%) of its 85 targets. Most of the programmes (3 of 6) performed below the 50% mark. Programme 2 (National Health Insurance, Health Planning and Systems Enablement) performed outstandingly (89%) in comparison to Programme 6 (Health Regulation and Compliance Management) which achieved only 29% of its targets.

**Programme Performance**

**Programme 1: Administration**

The programme had an under expenditure of 4.1% (R16 615 million) against a budget of R402 434 million. Similar to last years’ report, the under-expenditure on goods and services is related mainly to the earmarked funds for hospital tariffs system review, which could not be fully used, as well as the 48% under- spending on IT equipment which was not delivered before the end of the year. Three out of the six performance targets were not achieved, resulting in 50% achievement of set targets for 2012/13.

**Programme 2: National Health Insurance, Health Planning and Systems Enablement**

This programme shows under-expenditure of 3.5% amounting to R10 508 million of a total budget of R303 794 million. The reason provided for the slow spending is slow spending on the NHI funding provided. The programme achieved 8 of the nine targets set (89%). This programme was found to be best performing despite the inadequate spending of the NHI grant which can be a key impediment to the roll-out of the NHI.

**Programme 3: HIV/AIDS, TB and Maternal, Child and Women’s Health**

This programme consists of three sub-programmes that relate directly to MDGs 4, 5 and 6 which are critical indicators for the department. From a final appropriation of R9 230 346 billion, the programme spent 99.3% of its allocated funds, amounting to R9 165 474 billion, with under-expenditure of R64 872 million. However, only approximately 10 of the 24 targets (41.7%) were achieved.

**Programme 4: Primary Health Care Services**

The total allocation for this programme amounted to R113 842 million (down from R761 703 million). The programme shows 92.6% expenditure outcome of R105 362 million (2011/12: R741 483 million), with under-expenditure of R8.480 million. The under-expenditure is related to slow spending by the non-communicable diseases (NCD) cluster. However, only 11 of the 19 targets (57.8%) were achieved. This represents average performance against high budget expenditure.

**Programme 5: Hospitals, Tertiary Health Services and Human Resource Development**

This programme has spent 99.9% (R17 398 756 billion) of its R17 423 129 billion allocated funds, resulted in under-expenditure of R24 373 million (0.1%). No reason for the under-expenditure is given. However, the sub-programme achieved only 4 out of 12 targets set (33.3%). Only 2 out of the 7 targets set to accelerate delivery of health infrastructure were achieved (28.6%). None of the targets set (2) to improve health workforce planning, management and development were achieved.

**Programme 6: Health Regulation and Compliance Management**

This programme has spent 93.5% of its R545 526 million allocated funds, amounting to R583 658 million, with under-expenditure of R38 132 million. The under-spending can be attributed to delays in the implementation of planned activities in the Office of Health Standards Compliance. Only 4 out of the 14 targets were achieved (28.5%). None of the 4 targets related to sub-programme to improve the quality of health services were achieved. Similarly, zero of the targets were achieved related to Benefit Medical Examination (BME) Services to mineworkers.

**Key reported achievements**

The department has managed to increase in the number of facilities providing through the success of the Nurse Initiated Management Antiretroviral Therapy (NIMART) programme. The continued roll-out of the GeneXpert technology has meant improved turn-around times for TB diagnosis. Prevention of Mother to Child Transmission (PMTCT) of HIV campaign has been successful in reducing the infection rate. District Specialists Teams were established in 34 districts. Improvements in infant and child mortality rates have been reported. Similarly, malaria incidence has been reduced.

**Key reported challenges**

Targets set for the prevention of new HIV infections were not achieved. For instance, the target for increased coverage of Medical Male Circumcision was not achieved. Challenges cited were related to resistance to MMC, and lack of personnel. The HCT campaign ended and resulted in a decrease in the number of people tested for HIV. Maternal mortality remains high with no sign of a reversal in the upward trend. The repeated non-submission of the CCOD’s Annual report is a matter of grave concern. Registration of medicines remains a challenge.

**Non-financial Audit outcomes and steps taken to address adverse audit findings**

Interns were placed in provinces and the CCOD to address the previous financial year’s audit outcomes. Interventions were put in place for the Limpopo Department of Health to address challenges related to audit findings.

**5.2. Other service delivery performance findings**

The following findings were drawn from most of the health institutions the Committee visited and on meetings the committee held with provincial departments:

·         Health institutions are faced with severe shortage of emergency medical and rescue services resulting in slow response times.

·         Most institutions continue to be faced with the challenge of human resources shortage and the prolonged time periods in filling vacancies.

·         Most facilities visited pointed out that budget constraints hindered their ability to meet the prescribed norms and standards.

·         Poor infrastructure maintenance was identified in some facilities, with facilities indicating the lack of maintenance budget.

·         Not all facilities had a dedicated engineer on-site to assist with the hospital revitalization programme.

·         The re-engineering of Primary Health Care is moving very slowly in provinces.

·         Mental health care is not receiving the attention that it is supposed to as it is underfunded and in some provinces there are no dedicated mental health facilities.

**5.3. Concluding comments on service delivery performance**

Overall, the department achieved only 46% of its targets. Performance related to MDG indicators and in particular related to maternal mortality rates need urgent intervention as we approach the MDG deadline. This may result in failure to achieve the MDG target for maternal health in 2015. Central to health care delivery is to address disparities in the quality and coverage of health services. Improvements should be directed to accelerated roll-out of ARV delivery accompanied by strengthening of voluntary counselling and testing and PMTCT. The department performed well in meeting targets pertaining to infant, child and youth health. Most targets related to this objective were achieved, as supported by the marked decline in infant and child mortality (IMR 30 per 1000 and under-5 mortality rate at 42 per 1000).

**6. Finance and Service delivery performance assessment**

Monitoring of conditional grant spending should be prioritised, together with under-expenditure. The Department continues to have under-expenditure in some programmes mentioned in this report. At the same time there is high budget expenditure but poor performance against set targets.

The AG highlighted that unauthorised expenditure declined from R1.3 billion in 2011/12 to R855 million in 2012/13. Noting this improvement the Committee is still concerned about the high level of unauthorised expenditure. At the same time irregular, fruitless and wasteful expenditure continues to increase. It is critical for the department to spend efficiently whilst maximizing health care delivery.

**7. COMMITTEE’S Observations and response**

Technical issues

Several indicators and performance targets were not appropriately defined, they were vague and not measurable, and this posed as a limitation in accurately accounting for performance, hence track value for money. It is important for the department to improve the quality of indicators and targets in order to better account for spending against performance.  Similarly data reliability needs to be improved. The CCOD not submitting annual reports is another concern raised by the Committee.

Governance and operational issues

The department has just implemented a strategy of collecting money from its employees who have lost their laptops and for no shows in hotels in addressing fruitless and wasteful expenditure.  The department has completed phase one of matching and placing employees on the three-tiers of the structure (Director-General, Deputy Director-General and Chief Director levels).  The placement of interns in some of the public health institutions to address human resources gaps is a great innovation in ensuring improved service delivery.

Service delivery performance

The Department, through its HIV initiatives has managed to increase life expectancy.  Some provincial departments are doing exceptionally well especially the North West Province where they have reduced waiting times in their public health facilities and dedication and attitude of the staff working at the MDR TB hospital.

Financial performance including funding proposals

The Department of Health is spending its budget very well as they have spent 99.4% of its budget however the department’s budget needs to be increased so as to meet the financial demands of the entities and to address the high burden of disease.  The department also needs to direct more funding for the re-engineering of the Primary Health Care as a policy of government and to move away from hospicentrism.

**8. Recommendations**

·         The department should 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, as established by the National Health Amendment Act No.12 of 2013 is fully operational.

·         The Minister of Health should ensure that people who manage hospitals or health institutions are skilled professionals with medical or health background.

·         The department should increase budget allocations towards mental health care services.

·          The department should ensure that the cancer registry is up to date.

·         The department needs to devise strategies for recruiting and retaining health professionals in peri-urban areas, and particularly in rural areas.

·         The department should monitor the provincial spending of the NHI grant and quarterly financial performance reports should be submitted to the Committee.

·         The department should strengthen the implementation of the re-engineered PHC system, including maternal health as a priority.

·         The department should closely monitor the burden of tuberculosis in the mining sector through surveillance of miners and their families.

·         The department should expand the nationwide roll-out of the GeneXpert technology in strengthening the national TB programme.

·         The department should ensure that the Compensation Commissioner for Occupational Diseases (CCOD) submits quarterly reports to the Committee.

·         The department should 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.

·         The National Department of Health should consider amending the National Health Laboratory Services Act so as to ensure that the entity is able to deliver on its mandate.

**9. APPRECIATION**

The Committee would like to commend the good work that is being done by the Department of Health, under the stewardship of Dr Aaron Motsoaledi, in implementing government policies and in ensuring that health care service delivery improves in South Africa. This is indicated by the improvement in life expectancy and continued efforts to tackle inequalities in the health care system, through the introduction of the NHI which is currently piloted in 10 districts.

Report to be considered.