ANNUAL REPORT 2019/20

A better healthcare system for all

OHSC
Office of Health Standards Compliance
Ensuring quality and safety in health care

THE OHSC: A BRIEF OVERVIEW

The Office of Health Standards Compliance (OHSC) is a listed Schedule 3A public entity in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999) referred to as the PFMA.

The overall purpose of the OHSC as an independent entity is to protect and promote the health and safety of users of health services.

In brief, the OHSC is mandated to:

- Advise the Minister of Health on the determination of standards and norms to be prescribed for the National Health System;
- Inspect and certify health establishments (HEs) as compliant or non-compliant with prescribed norms and standards;
- Investigate complaints relating to breaches of prescribed norms and standards and
- Publish any information relating to prescribed norms and standards.

CONTENTS

PART A: GENERAL INFORMATION 3

General Information 4
List of Abbreviations and Acronyms 5
Foreword by the Chairperson 6
Chief Executive Officer's Overview 7
Statement of Responsibility and Confirmation of Accuracy of the Annual Report 8
Strategic Overview 9
Vision 9
Mission 9
Values 9
Strategic Imperatives 9
Strategic Outcome-Orientated Goals 10
Legislative and other Mandates 11
Organisational Structure 16

PART B: PERFORMANCE INFORMATION 17

Auditor's Report: Predetermined Objectives 18
Situational Analysis 19
Health Service Delivery Environment 19
Organisational Environment 20
The Health Ombud: an Overview 21
Strategic Outcome-Orientated Goals 22
Performance Management by Programme 23
Programme 1: Administration 24
Programme 2: Compliance Inspectorate, Certification and Enforcement 32
Programme 3: Complaints Management and Office of the Ombud 38
Programme 4: Health Standards Design Analysis and Support 43
Revenue Collection 48

PART C: GOVERNANCE 49

Introduction 50
Portfolio Committee 50
Executive Authority 50
The Accounting Authority/Board 50
Risk Management 55
Internal Control Sysytems Unit 56
Internal Audit and Audit, Risk and Finance Committee 57
Compliance with Laws and Regulations 58
Fraud and Corruption 58
Minimising Conflict of Interest 59
Code of Conduct 59
Audit, Risk and Finance Committee Report 60

PART D: HUMAN RESOURCES MANAGEMENT 61

Achievements 62
Challenges 62
Human Resource Oversight Statistics 63

PART E: FINANCIAL INFORMATION 67

Report of the External Auditor 68
Annual Financial Statements 72

PART A:

GENERAL INFORMATION

GENERAL INFORMATION

REGISTERED NAME:	**OFFICE OF HEALTH STANDARDS COMPLIANCE**
PHYSICAL ADDRESS:	79 Steve Biko Road 349 Jr, Prinshof Pretoria 0002
POSTAL ADDRESS:	Private Bag X21 Arcadia 0007
TELEPHONE NUMBER/S:	+27 12 942 7700
EMAIL ADDRESS:	mmakgopa-madisa@ohsc.org.za
WEBSITE ADDRESS:	www.ohsc.org.za
EXTERNAL AUDITOR:	Auditor-General of South Africa (AGSA)
BANKERS:	Standard Bank
ACTING BOARD SECRETARY:	Advocate Makhwedi Makgopa-Madisa

LIST OF ACRONYMS

AGSA	Auditor-General of South Africa
ARFC	Audit, Risk and Finance Committee
B-BBEE	Broad-Based Black Economic Empowerment
CEC	Certification and Enforcement Committee
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHC	Community Health Centre
DHIS	District Health Information System
DoH	Department of Health
EHP	Environmental Health Practitioners
EWS	Early Warning System
HE	Health Establishment
HPCSA	Health Professions Council of South Africa
HRREMCO	Human Resources and Remuneration Committee
ICT	Information and Communications Technology
IEC	Information Education and Communication
ISQua	International Society for Quality in Healthcare
MEC	Member of Executive Council
MoU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
NCOP	National Council of Provinces
NCS	National Core Standards
NDP	National Development Plan
NHA	National Health Act, 2003 (Act No. 61 of 2003)
NHC	National Health Council
NHI	National Health Insurance
NIOH	National Institute of Occupational Health
NPQ	National Policy on Quality in Healthcare
OHSC	Office of Health Standards Compliance
PAIA	Promotion of Access to Information Act, 2000 (Act No. 2 of 2000)
PAJA	Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000)
PFMA	Public Finance Management Act, 1999 (Act No.1 of 1999)
PHC	Primary Health Care
PoPI	Protection of Personal Information Act, 2013 (Act No. 4 of 2013)
SASOP	South African Society of Psychiatrists
SACSSP	South African Council for Social Service Professions
SANC	South African Nursing Council
SCM	Supply Chain Management
SMME	Small Medium and Micro Enterprises
SOP	Standard Operating Procedures
TR	Treasury Regulations
UHC	Universal Health Coverage

FOREWORD BY THE CHAIRPERSON

Dr Ernest Kenoshi, Chairperson

The 2019/20 financial year was a new epoch for the Office of Health Standards Compliance (OHSC) as a regulator in the healthcare sector with the coming into effect of the promulgated norms and standards applicable to different categories of health establishments. Activities undertaken by the OHSC during the reporting period demonstrated commitment from the OHSC Board, the Health Ombud, and OHSC Management and staff as well as stakeholders both in the public and private health sector in working towards ensuring quality and safety for all users of health services in our country.

The financial year 2019/20 marked the last year of the OHSC Strategic Plan for the period 2015 - 2020. The financial year was successful for the Organisation; the OHSC was able to deliver on most of the targets set in both the Strategic Plan 2015 – 2020 and the Annual Performance Plan, 2019/20. The inspection of public health establishments over a period of five years has enabled the OHSC to acquire robust baseline inspection data that will further strengthen the work of the OHSC as a regulator of healthcare services in the country.

The OHSC is pleased to submit the Annual Report for the 2019/20 financial year, which provides key deliverables on how the OHSC has advanced on the promotion and protection of the health and safety of the users of healthcare services. The 2019/20 financial year was the year in which the first set of norms and standards for different categories of health establishments promulgated by the Minister of Health came into effect. The OHSC commenced with inspections utilizing the promulgated norms and standards to be followed by the certification of compliant health establishments. The outbreak and the declaration of COVID-19 as a global disaster towards the end of the 2019/20 year had an impact on some of the targets and activities of the OHSC which were meant to be completed towards the end of the financial year. Overall, the majority of targets were met.

The OHSC remains steadfast and committed to acting independently and impartially in executing its legislative mandate and contribute towards the improvement of quality in the provision of healthcare services as part of all initiatives intended to improve overall health outcomes and to advance the country towards Universal Health Coverage.

Dr Ernest Kenoshi
Chairperson
Date: 29 September 2020

CHIEF EXECUTIVE OFFICER'S REFLECTIONS

Dr Siphiwe Mndaweni, CEO

The promulgated norms and standards have strengthened the mandate of the OHSC to conduct compliance inspections, investigate complaints, enforce compliance as well as certify both public and private health establishments found compliant with the regulations. The promulgated norms and standards applicable to different categories of health establishments paved the way for the engagements between the OHSC and the private health sector on the development of inspection tools applicable to the sector.

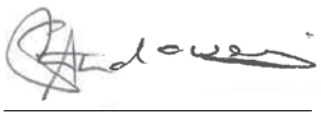
The OHSC inspection strategy for the 2019/20 financial year was published and available on the OHSC website to inform the health establishments of the number of inspections to be inspected and the approach of conducting inspections. A total of 647 public health establishments (clinics) were inspected in eight provinces during the reporting period. In the 2020/21 financial year, health establishments compliant with the regulated norms and standards will be issued with a certificate of compliance which will be valid for a period not exceeding four years and subject to renewal. Furthermore, enforcement processes will be effected against non-compliant health establishments. A compliance status framework with the grading of health establishments will be utilised to determine the compliance status as well as the grading of the health establishments.

The OHSC received 2 083 complaints during the 2019/20 financial year. The number of complaints received in descending order was related to the domains of Patients' Rights, Patient Safety, Clinical Governance and Patient Care, Clinical Support Services, Leadership and Corporate Governance, Facilities and Infrastructure, Public Health, and Operational Management. With the increasing publicity of the work of the OHSC, congruently the number of complaints increased during the reporting period. Timeous investigation and resolution of the increasing complaints will require additional human resources. The sterling work of the Health Ombud continues to be recognised by various sectors.

The OHSC continued with the enhancement of the Information and Communications Technology (ICT) infrastructure to support the functions of the OHSC, to accommodate the requirements of the regulated norms and standards, improve inspections and reporting of findings. More work is still required to incorporate the monitoring of health risk indicators in facilities. Public awareness and collaboration with key stakeholders is essential for the work and functions of the OHSC. The OHSC continued to raise awareness about the work of the OHSC and Health Ombud in health establishments and surrounding communities across the country and collaborated with various key stakeholders.

I would like to thank the OHSC Board, the Health Ombud, Management and OHSC Staff for showing dedication and enthusiasm by ensuring that the OHSC continues to execute its mandate effectively and efficiently. All have truly contributed to ensuring quality and safety for users of healthcare in the country.

We further extend gratitude to healthcare workers for looking after the health and well-being of our public. The COVID-19 pandemic has spurred our healthcare workers to demonstrate resilience unparalleled during trying times. We at the OHSC will strive to execute our mandate and further support healthcare workers in ensuring that the health and welfare of our healthcare users and healthcare workers remain a priority.



Dr Siphiwe Mndaweni
Chief Executive Officer
Date: 29 September 2020

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

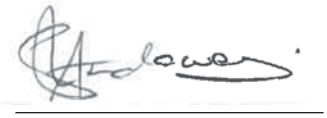
To the best of our knowledge and belief, we confirm that:

All information and amounts disclosed in this Annual Report are consistent with the annual financial statements as audited by the Auditor-General of South Africa (AGSA).

The Annual Report is complete, accurate and free from any omissions and the Annual Financial Statements have been prepared following the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) that apply to a public entity.

The accounting authority is responsible for the preparation of the Annual Financial Statements and judgements made in this information. The accounting authority is also responsible for establishing and implementing a system of internal controls designed to provide reasonable assurance about the integrity and reliability of the performance of the OHSC. Furthermore, the accounting authority is responsible for human resources information and reporting of information to Parliament and the Treasury as is required.

The external auditors (AGSA) were engaged to express an independent opinion on the Annual Financial Statements. In our opinion, the Annual Report fairly reflects the operations, performance and human resources information and financial affairs of the OHSC for the financial year ended 31 March 2020.



Dr Siphiwe Mndaweni
Chief Executive Officer
Date: 29 September 2020

Dr Ernest Kenoshi
Chairperson: OHSC Board
Date: 29 September 2020

STRATEGIC OVERVIEW

MISSION

We act independently, impartially, fairly and fearlessly on behalf of the people of South Africa in guiding, monitoring and enforcing healthcare safety and quality standards in HEs.

VISION

Safe and quality healthcare for all South Africans.

VALUES

Our values are informed by the South African Constitution and Batho Pele principles: "Human dignity; freedom and the achievement of equality; and that people must come first."

Strategic imperatives

Strategic imperatives → **Strategic outcome-orientated goals** → **Programmes**

In adherence to the legislative mandate in terms of the National Health Act, 2003 (Act No. 61 of 2003) referred to as the NHA, and the strategic goals set by the Board, the OHSC compiled a strategic plan for the five years (2015 to 2020) and which ended at the end of the reporting period. The key imperatives of the strategy are based on upholding the following objectives of the OHSC:

- Prioritise those establishments that are the weakest and serve the most disadvantaged users to shift the system towards safer care, while still recognising excellence wherever it is found;
- Use a progressive and developmental approach to enforcement to enhance change at different levels of the system;
- Use the power of information and communication, ranging from awareness and guidance through monitoring, analysis, reporting and publication, as a strategic tool to influence decisions and behaviour;
- Create and effectively use platforms for interaction with key users, providers and leadership groups to foster collaborative efforts towards improved outcomes; and
- Develop the capacity of staff and those who work directly with the OHSC as agents of change through training, rigorous control of the quality of outputs and ongoing learning.

Target setting

Every year, the OHSC performs a formal review of its strategy, monitoring and measuring performance against key performance indicators. The formal review is supplementary to the ongoing Board and management review of strategy and related performance measures. This Annual Report presents the OHSC's deliverables in terms of the objectives, performance indicators, and targets for the 2019/20 financial year and the strategic outcome-orientated goals.

Strategic outcome-orientated goals

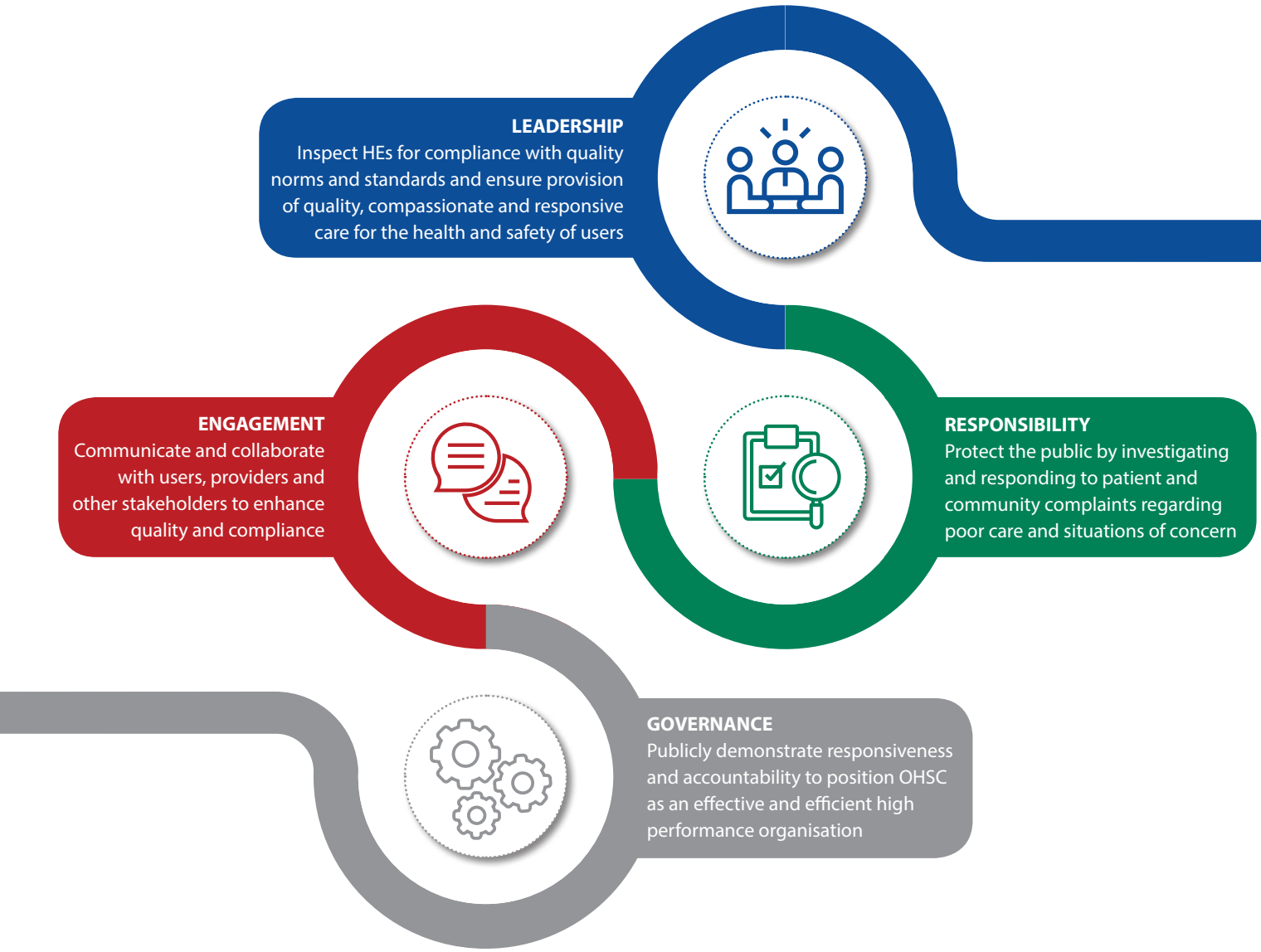


Figure 1: Strategic outcome-orientated goals

LEGISLATIVE AND OTHER MANDATES

The OHSC is established under the NHA, to promote and protect the health and safety of the users of health services. The OHSC is listed as a Schedule 3A public entity in terms of the PFMA. As a public entity monitoring quality in the health sector, the role of the OHSC is influenced by the following governing legislation, regulations and national policies:

Constitution of the Republic of South Africa, 1996

The Bill of Rights underpins the entire health system, specifically Section 27 of the Constitution, which guarantees everyone the right of access to healthcare services, including reproductive health services and emergency medical treatment. The Constitution further requires the State to take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right.

The regulation of the quality of health services requires all health establishments to comply with policy priorities and minimum standards of care. In this manner, the regulation of quality contributes directly to the government's progressive realisation of its constitutional obligations.

The National Health Act, 2003 (Act No. 61 of 2003)

The NHA reaffirms the constitutional rights of users to access health services and just administrative action. As a result, Section 18 allows any user of health services to lay a complaint about the way he or she was treated at a health establishment. The NHA further obliges Members of the Executive Councils (MECs) to establish procedures for dealing with complaints within their areas of jurisdiction. Complaints provide useful feedback on the areas within health establishments that do not comply with prescribed standards or pose a threat to the health and safety of users and healthcare staff alike.

The NHA provides the overarching legislative framework for a structured and uniform national healthcare system. The Act highlights the rights and responsibilities of healthcare providers and healthcare users and ensures broader community participation in healthcare delivery from a health facility level up to national level.

Chapter 10 of the NHA, as it relates to the OHSC, was repealed in its entirety (and other minor changes were enacted) through the promulgation of the National Health Amendment Act, 2013 (Act No. 12 of 2013). This replaced the previous provisions that had never been brought into effect with a new independent entity, the OHSC.

The purpose of the OHSC is reflected in the NHA as that of protecting and promoting the health and safety of users of health services by:

- Monitoring and enforcing compliance by health establishments with norms and standards prescribed by the Minister concerning the national health system; and
- Ensuring that complaints about non-compliance with prescribed norms and standards are considered, investigated and disposed of in a procedurally fair, economical and expeditious manner.

In terms of the NHA, the OHSC must:

- **Advise the Minister** on matters relating to norms and standards for the national health system and the review of such norms and standards, or any other matter referred to it by the Minister;
- **Inspect and certify** compliance by health establishments with prescribed norms and standards, or where appropriate and necessary, withdraw such certification;
- **Investigate complaints** about the national health system;
- **Monitor indicators of risk** as an early-warning system about serious breaches of norms and standards and report any breaches to the Minister without delay;
- **Identify areas and make recommendations for intervention** by a national or provincial department of health or municipal health department, where necessary, to ensure compliance with prescribed norms and standards;
- **Recommend quality assurance and management systems** for the national health system to the Minister for approval; and
- **Keep records** of all OHSC activities.

In addition, the OHSC may:

- **Issue guidelines** for the benefit of health establishments to implement prescribed norms and standards;
- **Publish any information relating to prescribed norms and standards** through the media and, where appropriate, within specific communities;
- **Collect or request any information relating to prescribed norms and standards** from health establishments and users;
- **Liaise with any other regulatory authority** and, without limiting the generality of this power, request information from, exchange information with and receive information from any such authority about matters of common interest or a specific complaint or investigation; and
- **Negotiate cooperative agreements with any regulatory authority** to coordinate and harmonise the exercise of jurisdiction over health norms and standards and ensure the consistent application of the principles of this Act.

The Protection of Personal Information Act, 2013 (Act No.4 of 2013) ("PoPI")

The purpose of the PoPI is to ensure that all South African institutions, including the OHSC, conduct themselves in a responsible manner when collecting, processing, storing and sharing personal information by holding them accountable should they abuse or compromise such information in any way. The PoPI Act regards personal information as "precious goods" and gives owners of personal information certain rights of protection and the ability to exercise control over:

- When and how the information is shared (requires individual consent);
- The type and extent of information that is shared (must be collected for valid reasons);
- The transparent and accountable use of the data (limited to the purpose) and notification if/when the data are compromised;
- Who accesses personal information and the right to have personal data removed and/or destroyed;
- Adequate measures and controls to access personal information and tracking access to prevent unauthorised access;
- The storage of personal information (requires adequate measures and controls to safeguard personal information and protect it from theft or being compromised); and
- The integrity and continued accuracy of personal information (must be captured correctly and maintained by the institution that/person who accessed it)..

Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) ("PAIA")

Section 32 (1) (a) of the Constitution states that everyone has a right to access any information held by the state or another person to protect any rights. The PAIA gives all South Africans the right to access records held by the State, government institutions and private bodies.

The objectives of the PAIA are to:

- Ensure that the State promotes a human rights culture and social justice;
- Encourage openness and establish voluntary and mandatory mechanisms;
- Establish procedures for the right to access information quickly, effortlessly, cost-effectively and as reasonably as possible;
- Promote transparency, accountability and effective governance of all public and private bodies by empowering and educating everyone to understand their rights in terms of the PAIA and to public and private bodies;
- Create an understanding of the functions and operation of public bodies; and
- Encourage the scrutiny of and participation in decision-making by public bodies that affect individual/public rights.

Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) ("PAJA")

Section 33 (1) and (2) of the Constitution guarantees that administrative action will be reasonable, lawful and procedurally fair, and it makes sure that people have the right to ask for written reasons when administrative action has a negative impact on them. PAJA aims to make the administration effective and accountable to people for its actions. The objectives of the PAJA are to:

- Promote an efficient administration and good governance; and
- Create a culture of accountability, openness and transparency in the public administration.

National Policy on Quality in Healthcare, 2007 ("NPQ")

A focus on quality assurance and improvement is not a new concept. The 2001 NPQ was revised in 2007. The policy identifies mechanisms to improve the quality of healthcare in the public and private sectors and highlights the need to involve health professionals, communities, patients and the broader healthcare delivery system (Department of Health, referred to as the DoH) in capacity-building efforts and quality initiatives.

The objectives of the NPQ are to:

- Improve access to quality healthcare;
- Increase patients' participation and the dignity afforded to them;
- Reduce underlying causes of illness, injury and disability;
- Expand research on treatments specific to South African needs and the evidence of effectiveness;
- Ensure the appropriate use of services; and
- Reduce errors in healthcare.

Norms and standards applicable to different categories of health establishments

The Minister of Health promulgated the norms and standards regulations on 2 February 2018. The norms and standards regulations came into operation on 2 February 2019 and apply to the following categories of health establishments:

- Public sector hospitals, as set out Government Gazette, No 35101;
- Public sector clinics;
- Public sector community health centres;
- Private sector acute hospitals; and
- Private sector Primary Health Care clinics and centres.

Procedural Regulations Pertaining to the Functioning of the Office of Health Standards Compliance and Handling of Complaints by the Ombud

These regulations will guide the exercise of powers conferred on the OHSC and its Board, the Chief Executive Officer, the Ombud, Inspectors and Investigators, which they will elaborate on in the form of details, procedures and processes.

The regulations cover the following areas:

- Collection of information from health establishments and designation and duties of the person in charge;
- Appointment of Inspectors, training and expertise;
- The inspection process and timelines;
- Additional inspections;
- Entry and search of premises including prior-consent procedures or the application for a warrant if required;
- Processes of certification, renewal and suspension;
- Compliance notice and enforcement process, including formal hearing, revocation of a certificate, fines or referral to prosecuting authority, appeals and reporting;
- Complaints handling, investigation and resolution procedures, lodging of complaints, screening, investigation and reporting and turnaround times; and
- General provisions about using prescribed forms (listed in Schedule 1).

National Health Insurance (NHI)

The NHI is based on the principles of Universal Health Coverage, equity, right of access to basic healthcare and social solidarity, irrespective of a person's socio-economic status. An effective and well-functioning health quality system with set standards and norms that are implemented effectively is essential for the successful execution of the NHI. The OHSC's certification of health establishments will in future be a prerequisite for accessing NHI funding.

Batho Pele and the Patient's Rights Charter

Alongside health-specific policies and legislation, the *Batho Pele* principles govern all public services, including healthcare delivery. The Batho Pele ("People First") initiative encourages service-orientation, excellence and improved delivery among public servants. The eight Batho Pele principles, aimed at enhancing public service delivery (Republic of South Africa, 2007) are:

- Regularly consult with customers;
- Set service standards;
- Increase access to services;
- Ensure higher levels of courtesy;
- Provide more and better information about services;
- Increase openness and transparency about services;
- Remedy failures and mistakes; and
- Give the best possible value for money.

In response, the health sector promulgated the "Patient's Rights Charter", which specifies – as reiterated in the National Core Standards (NCS) – that the rights of patients must be respected and upheld, including the right to access to basic care and receive a respectful, informed and dignified attention in an acceptable and hygienic environment. Patients should be empowered to make informed decisions about their health and complain if they do not receive decent care.

National Development Plan (NDP)

The NDP Vision 2030 states that a health system with positive health outcomes for the country is possible and will:

- Raise the life expectancy of South Africans to at least 70 years;
- Ensure that the under-20s generation is largely free of HIV;
- Significantly reduce the burden of disease; and
- Achieve an infant mortality rate of fewer than 20 deaths per thousand live births and under-5 mortality rate of fewer than 30 per thousand.

Priority 2 in the NDP focuses on strengthening the healthcare system and includes the role of the OHSC as the independent entity mandated to promote quality by measuring, benchmarking, and accrediting actual performance against quality standards. A specific OHSC focus is on achieving common basic standards in the public and private sectors.

Other legislation relevant to the delivery of healthcare services

The legislation referred to in the NHA that influences the execution of the OHSC mandate and functions are reflected in Table 1.

Table 1: Legislation that influences the OHSC in the fulfilment of its mandate

Medical Schemes Act, 1998 (Act No. 131 of 1998)	Regulates the medical schemes industry to ensure alignment with national health objectives
Medicines and Related Substances Act, 1965 (Act No. 101 of 1965)	Registers medicines and other medicinal products for safety, quality and efficacy and provides pricing transparency
National Health Laboratory Service Act, 2000 (Act No. 37 of 2000)	Acts as a statutory body for laboratory services to the public health sector
Health Professions Act, 1974 (Act No. 56 of 1974)	Regulates the health professions, specifically medical practitioners, dentists, psychologists and other health-related professions, including their community services
Pharmacy Act, 1974 (Act No. 53 of 1974)	Regulates the pharmacy profession, including community service by pharmacists
Nursing Act, 2005 (Act No. 33 of 2005)	Regulates the nursing profession
Allied Health Professions Act, 1982 (Act No. 63 of 1982)	Regulates health practitioners such as chiropractors, homeopaths and others, and for the establishment of a council to regulate these professions
Dental Technicians Act, 1979 (Act No. 19 of 1979)	Regulates dental technicians and the establishment of a Council to regulate the profession
Hazardous Substances Act, 1973 (Act No. 15 of 1973)	Controls hazardous substances, particularly those that emit radiation
Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act No. 54 of 1972)	Regulates foodstuffs, cosmetics and disinfectants and sets quality and safety standards for their sale, manufacturing and importation
Occupational Diseases in Mines and Works Act, 1973 (Act No. 78 of 1973)	Provides for medical examinations of persons suspected of having contracted occupational diseases, especially in mines, and for compensation in respect of those diseases

Locked.....
TARGET.....
Risk assessment.....

ORGANISATIONAL STRUCTURE

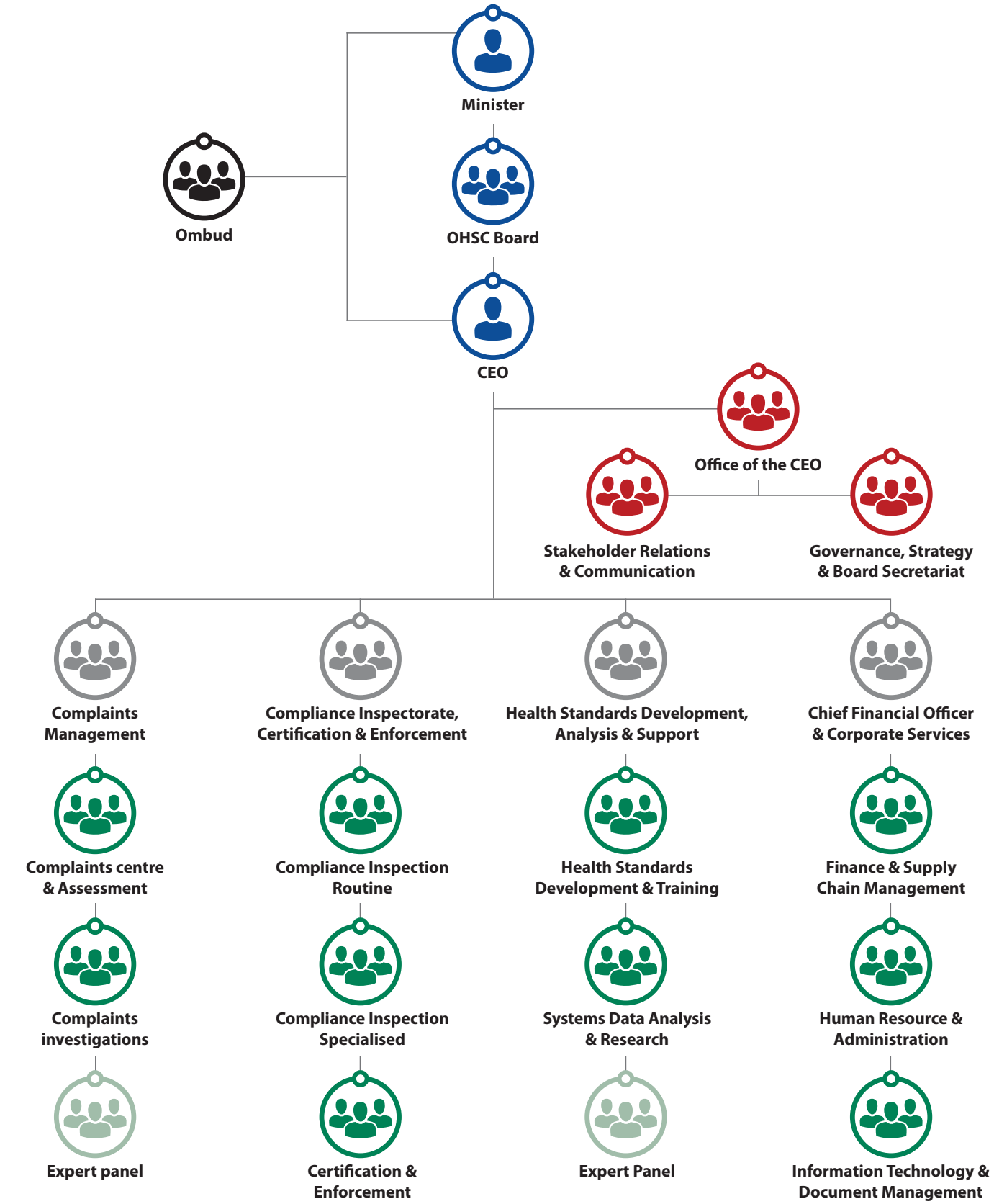


Figure 2: OHSC organisational structure

PART B:

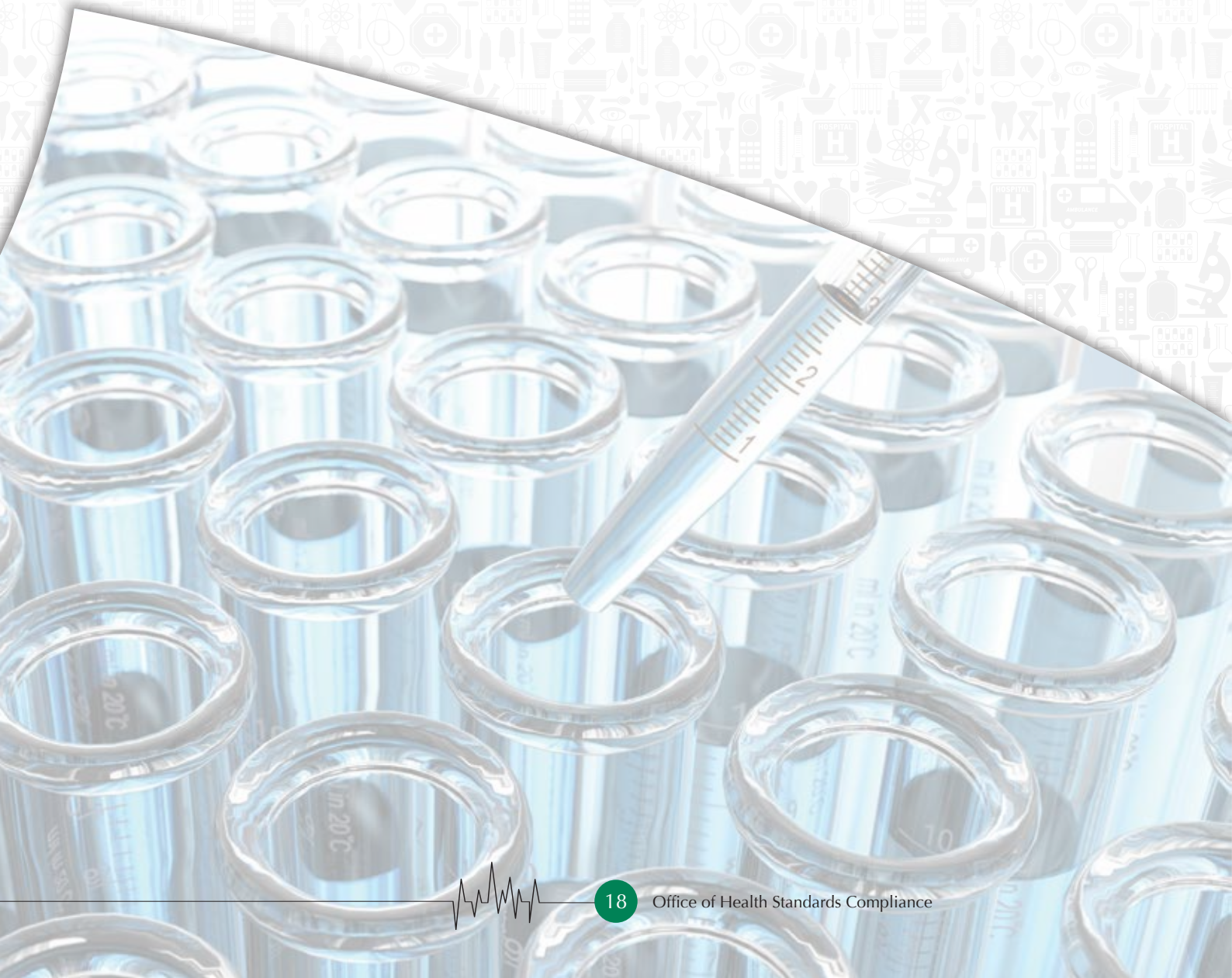
PERFORMANCE INFORMATION

AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa/auditor currently performs the necessary audit process on the OHSC performance information to provide reasonable assurance in the form of an audit conclusion.

The audit conclusion on performance against predetermined objectives is included in the report to management, with material findings reported under *Report on the Audit of the Annual Performance* Report.

Refer to page 68 of the Report of the Auditors under Part E: Financial Information.



SITUATIONAL ANALYSIS

Health service delivery environment

South Africa is currently advancing its efforts to realise Universal Health Coverage (UHC). UHC in South Africa is being implemented through what the National Department of Health defines as a NHI system. The policy framework outlining the approach to NHI and its phased introduction has been issued in terms of the existing NHA. The current phase of NHI implementation has been planned to run from 2017 to 2022 where the focus will be on "development of the NHI legislation and amendments to other legislation." The NHI Bill has been published for comment and the public participation process has begun in earnest

The commitment to re-engineering Primary Health Care (PHC) services and building the necessary quality improvement processes which include inspection and certification of health establishments by the OHSC are critical aspects of health system strengthening in South Africa.

The promulgated norms and standards for different health establishments came into effect in February 2019. These norms and standard are critical and play a central role in the functioning of the OHSC. Inspections conducted in terms of the promulgated norms and standards and certification of health establishments will set the scene for accreditation of providers to be contracted by the NHI Fund.

The quality challenge

The NHA is expected to guide the introduction and implementation of a uniform health system which provides equitable access to health services by all inhabitants of South Africa. Extensive regulations have been issued in terms of the NHA, and some of its structures have been put to the test and have demonstrated their resilience and independence as part of strengthening the quality of health services in South Africa.

The South African public health system provides healthcare at the following three levels: National, Provincial and District Health System. Funding is still skewed between public and private sectors with the latter being better resourced. There have been notable improvements in some aspects of the health system. However, major challenges remain in the provision of safe and quality healthcare. This is particularly apparent with persistent inequities of the quality of care in previously disadvantaged areas and between public and private sectors.

Health reform efforts and quality implications

The National DoH has been implementing initiatives to further reform the healthcare sector including Universal Health Coverage in the form of the NHI. The focus of these initiatives is to ensure the public and private health sectors deliver on key expectations and requirements of providing the right healthcare at the right time in the safest of conditions. The OHSC was established as part of the initiatives by the National Government with the mandate to protect and promote the health and safety of users of healthcare services.

Initiatives relevant to the work of the OHSC include:

- Implementing the NCS policy framework to define the quality of care in South Africa before the promulgation of norms and standards;
- Advising the Minister of Health on matters relating to the determination of norms and standards to be prescribed for the national health including review of such norms and standards;
- Reviewing structures and systems to strengthen governance, oversight and management of Health Establishments (HEs), including recruitment of hospital managers;
- Introducing better controls on the acquisition, use and over-use or inappropriate use of resources; and
- Major focus on clinic management and service delivery.

The socio-political and economic situation in South Africa impacts on the resourcing of the health system, which in turn impacts on the quality of service delivery. Reduction in the budget allocated to health, despite increasing costs of treatment and South Africa's quadruple burden of disease, (HIV, TB maternal and child health, non-communicable disease and injuries) will have an undesirable impact in improving health outcomes.

Inspections and findings

For the 2019/20 financial year, the OHSC continued to conduct inspections in different levels of care in public health establishments across all nine provinces. A total of 647 health establishments were inspected, representing 16.95% of the overall 3 186 public sector health establishments in South Africa. A comprehensive annual inspection report detailing the findings of all inspections carried out in the 2019 /20 financial year will be released as a separate publication. It should be noted that these are the first regulated inspections conducted by the OHSC. The inspection tools used were developed based on the regulated norms and standards

which were promulgated in February 2018 and implemented in the 2019/20 financial year.

In January 2019, the OHSC appointed the Community Service Environmental Health Practitioners (CSEHPS) on a 12-month contract. The CSEHPS conducted audits of the management and disposal of healthcare risk waste in health establishments. Health risk waste audits were conducted in 85 health establishments in all nine provinces across the different levels of care in the public service including Community Health Centres (CHCs), and Hospitals (District, Regional, Provincial and Central).

Envisaged impact of the OHSC

The OHSC's responsibility of regulating the healthcare sector is necessary to ensure that health services provided to every individual accessing both the private and public health system in South Africa is safe and protected. The Organisation plays a vital role in protecting the public from health risks through healthcare regulations.

Healthcare is a complex system in any country, the role of the OHSC is interwoven within the healthcare system and other key activities aimed at improving the health and well -being of citizens. The OHSC is a key partner in health systems strengthening to certify health establishments as compliant with norms and standards regulations to allow participation in the NHI Fund as outlined in the NHI policy. The major impact of the OHSC would be towards the overall improvement of health outcomes of the citizens and move South Africa closer to the achievement of Outcome 1 of the National Development Plan; "A long and healthy life for all South Africans."

Organisational Environment

The mandate of the OHSC is to monitor and enforce compliance with the prescribed norms and standards and investigation of complaints relating to breaches of the prescribed norms and standards, as defined in the NHA. To achieve this mandate, sufficient resources must be made available for effective implementation of regulatory functions. The OHSC is experiencing resource constraints which have a detrimental effect in carrying out the mandate of the Organisation. For the OHSC to increase coverage of inspections in both the public and private sector and establish systems to monitor the regulations in health establishments, the staff complement would have to be increased to meet the demand. Furthermore, additional staff is also required to ensure timeous resolution and disposal of complaints received to fulfil the legislative mandate of the OHSC. Improvements in resource allocation will enable the OHSC to expand and fulfil its mandate. Despite the current human resource constraints, the OHSC staff remains committed to the effective functioning of the OHSC.

THE HEALTH OMBUD: AN OVERVIEW

Table 2: The Health Ombud:

Description	The Health Ombud is appointed in terms of the National Health Act, 2003 (Act No. 61 of 2003) and is located within the OHSC. The key purpose of existence is to ensure that the complaints relating to healthcare are considered and resolved. ● Its main purpose is to be the voice of the people in instances where health establishments have breached prescribed norms and standards (in contrast to individual healthcare workers' professional misconduct). ● The Ombud must perform his or her functions "in good faith and without fear, favour, bias or prejudice."
Purpose	To receive, investigate and dispose of complaints from the public related to breaches of norms and standards of healthcare, the Ombud has to make sure that the healthcare user's complaint is heard, investigated and redressed, as well as: ● Referring to any complaints received from the public that warrants investigation and managed by a specific regulatory body, e.g. South African Nursing Council, Health Professions Council of South Africa; ● Publishing the reports of complaints annually on the website for public consumption; and ● Providing the Minister with an annual report of all complaints received and the status thereof. Any person, guardian or representative of a person to whom healthcare service was provided in South Africa is welcome to lodge a complaint regarding sub-standard services by any health establishment in South Africa: ● One can lodge a complaint on behalf of a relative, a minor or any other person. ● Any other person can lodge a complaint as a whistleblower.
Authority	● The Ombud operates within the OHSC in accordance with section 78(b) of the National Health Act, 2003. ● The Ombud is responsible for investigating all complaints related to breaches of norms and standards related to healthcare services, both public and private, as well as to: ● Make recommendations to health establishments regarding breaches identified; and ● Refer any complaint that the Ombud feels needs to be investigated and managed by a regulatory body.
Process to lodge a complaint	A complaint has to be lodged within two years of its occurrence for the OHSC to investigate it. The complaint should have at least been lodged with the respective health establishment and the complaint either remains unresolved or there is dissatisfaction with the outcome ● Complaints may be lodged verbally by visiting the OHSC or telephonically through the toll-free number or OHSC telephone line. ● The toll-free line is made more user-friendly through the provision of multilingual options. ● Complaints may also be lodged in writing, which is through e-mail, hand delivery or post. ● The public is encouraged to lodge complaints with the relevant health establishment, which can be done verbally or in writing, before approaching the OHSC. ● Health establishments are expected to follow their established complaints management protocol in addressing user complaints. ● When lodging a complaint with the OHSC the following information should be provided: » Name of complainant; » Contact number; » Name of patient; » Contact number; » Patient registration number; » Name of health establishment; » Location of health establishment (province or district); » Date and time of incident; » Details of incident; » Unit where incident occurred; » Names of personnel involved; » Date incident reported to health establishment; » Person reported to; » Feedback from facility if any; and » If the complaint is made on behalf of a competent adult, the complainant should have received permission. ● The investigation process and the resolution of the complaint will take approximately six months but may be extended to two years depending on the complexity of the matter.

STRATEGIC OUTCOME - ORIENTATED GOALS

OHSC's strategic outcome-orientated goals underpin the Organisation's strategic imperatives as demonstrated in **Figure 3** below.

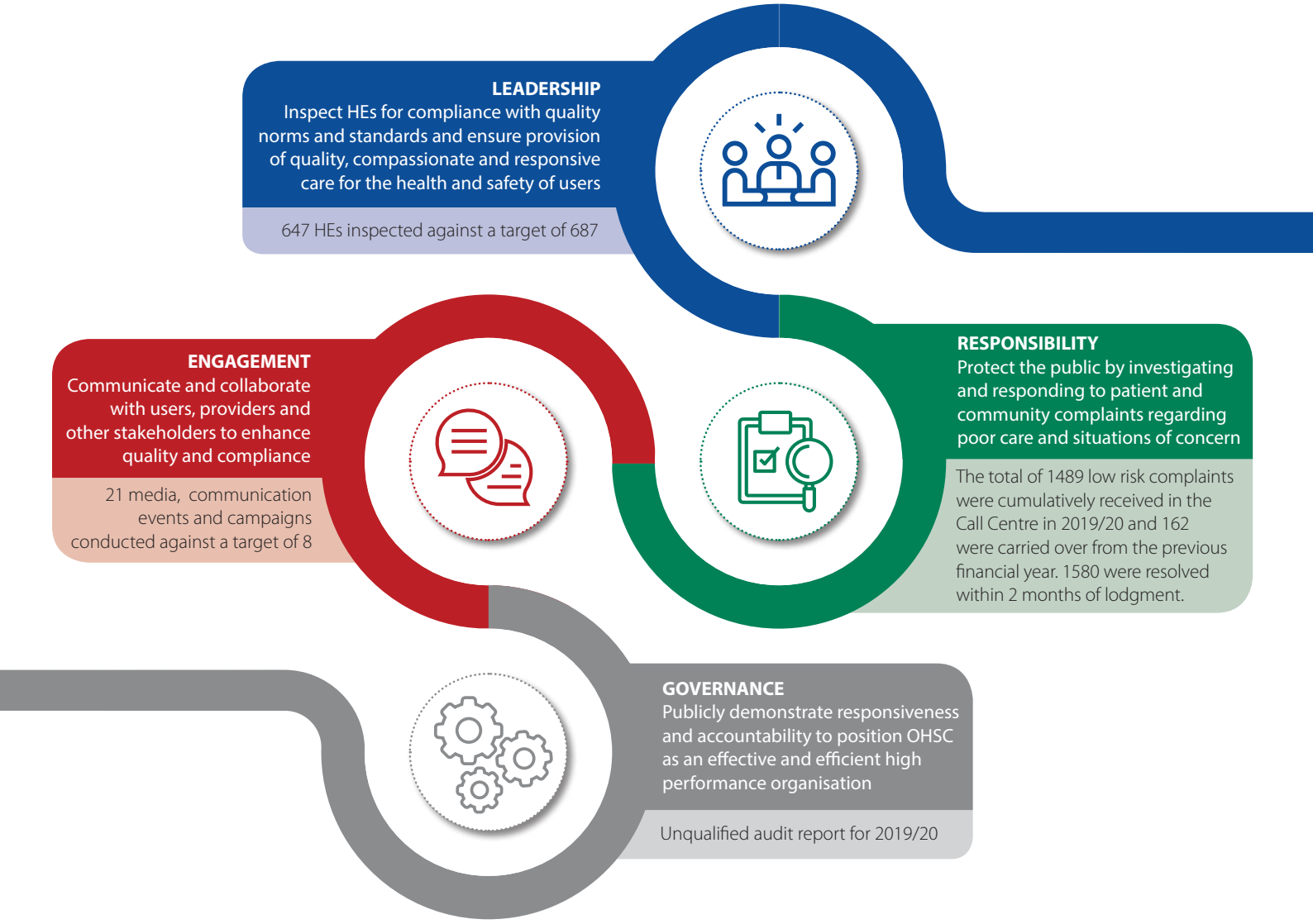


Figure 3: Strategic outcome-orientated goals

PERFORMANCE MANAGEMENT BY PROGRAMME

The delivery of OHSC programmes is through OHSC's four different divisions which are responsible for implementing and achieving the strategic objectives for each programme. Ultimately all divisions work towards a common goal which is to support the OHSC's mandate to of ensuring safe and quality healthcare for everyone. The different functional expertise works closely in developing and implementing and monitoring cross-functional projects towards the Organisation's shared purpose.

The programme performance provides a description of each programme, including objectives, deliverables and achievements and further demonstrate the interrelatedness of various programmes.

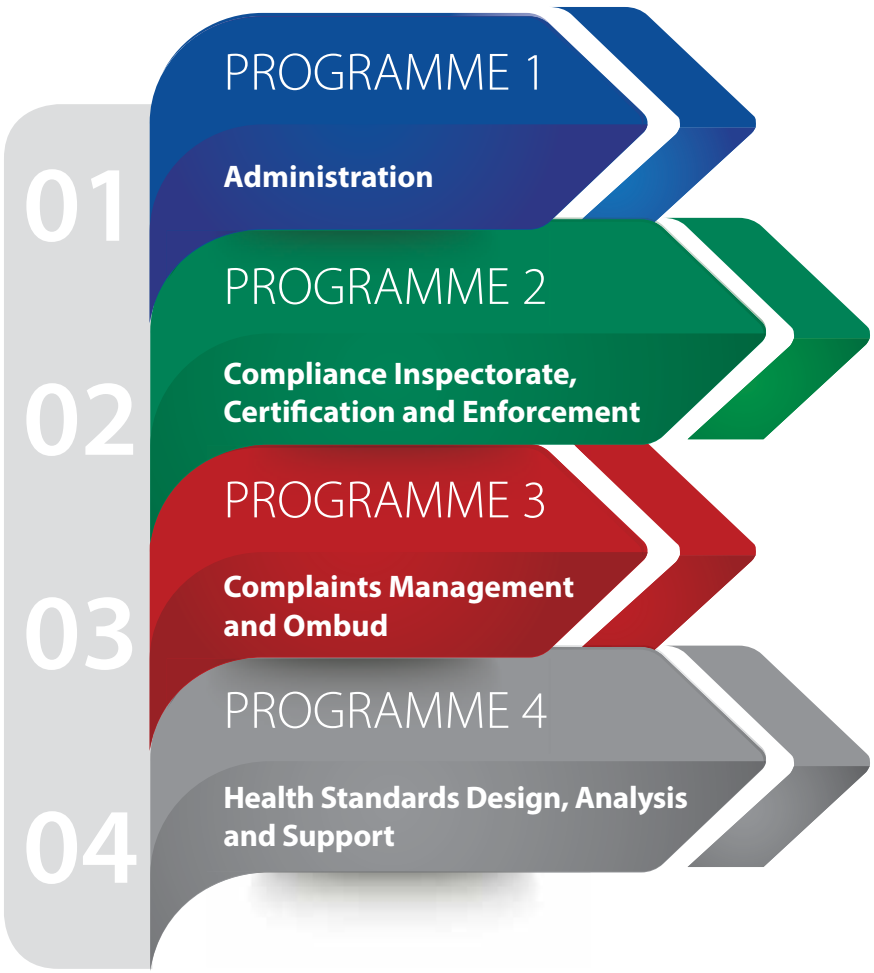


Figure 4: Programmes within the OHSC

PROGRAMME 1: ADMINISTRATION

Programme purpose

To provide the leadership and administrative support necessary for the OHSC to deliver on its mandate and comply with all relevant legislative requirements.

Description of strategic objectives

Table 3: Strategic objectives for the Administration Programme

Strategic Objective 1.1	**Establish a fully functional Office suitably staffed to execute the mandate and goals of the OHSC**
Objective statement	A functional OHSC with budget and personnel to implement the OHSC mandate effectively is established
Indicator	% of funded staff appointed
Baseline (2018/19)	97%
Target (2015-20)	90%

Strategic Objective 1.2	**Accredit inspectors after successfully completing an approved training course**
Objective statement	To formally accredit inspectors through staff training and development within the OHSC as part of the overall training and staff development function
Indicator	% of compliance inspectors accredited
Baseline (2018/19)	0%
Target (2015-20)	100%

Strategic Objective 1.3	**Implement good governance, oversight and accountability through appropriate delegations, including financial management and compliance to the PFMA**
Objective statement	To ensure good governance, oversight and accountability through appropriate delegations to Board and management governance structures and legislative compliance
Indicator	Auditor-General's annual findings rating.
Baseline (2018/19)	Unqualified audit report
Target (2015-20)	Unqualified audit report

Strategic Objective 1.4	**Leverage the information technology to meet the needs of the OHSC and to deliver OHSC services more efficiently**
Objective statement	Specialised IT system for the OHSC is implemented
Indicator	% of IT systems uptime
Baseline (2018/19)	99.98%
Target (2015-20)	95%

Strategic Objective 1.5	**Create public, provider and stakeholder awareness about the roles and powers of the OHSC**
Objective statement	Activities are carried out to create public awareness on the mandate, roles and powers of OHSC
Indicator	Number of media and communication events and campaigns conducted annually
Baseline (2018/19)	19
Target (2015-20)	18

Strategic Objective 1.6	**Support the mandate and objectives of the OHSC through Memorandums of Understanding (MoUs) with relevant regulators or other organisations**
Objective statement	MoUs with relevant regulators/other organisations to further the mandate and objectives of the OHSC to improve quality and safety and monitor implementation prior to annual ratification are signed.
Indicator	Number of MoUs signed annually with regulators/other organisations to protect and promote healthcare quality and safety
Baseline (2018/19)	2
Target (2015-20)	10

Table 4: Performance against strategic objectives for the 2019/20 financial year

PROGRAMME 1: ADMINISTRATION						
Strategic objective	**Performance indicator**	**Actual achievement 2018/19**	**Planned target 2019/20**	**Actual achievement 2019/20**	**Deviation from planned target to actual achievement for 2019/20**	**Comment on deviations**
1.1 Establish a fully functional office suitably staffed to execute the mandate and goals of the OHSC	% of funded staff appointed	97%	90%	92% (115/125)	+2%	The target was exceeded by 2% as the recruitment process was expedited through the use of external service provider to conduct the background checks
1.2 Certified Inspectors after successfully completing approved training course	% of compliance inspectors certified	0%	90%	92% (55/60)	+2%	A total of 58 was trained as one group. Three inspectors were no longer in the employ of OHSC at end of the financial year.
1.3 Implement good governance, oversight and accountability through appropriate delegations, including financial management and compliance to PFMA requirements	Auditor-General's annual findings rating	Unqualified audit report	Unqualified audit report for 2019/20	Unqualified audit report for 2019/20		

PROGRAMME 1: ADMINISTRATION						
Strategic objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to actual achievement for 2019/20	Comment on deviations
1.4 Leverage the Information Technology to meet the needs of the OHSC and to deliver OHSC services more efficiently	% of IT systems uptime	99.98%	80%	99.9 %	+19.9%	OHSC has been maintaining the IT infrastructure with the assistance and support of an external service provider. The uptime reports are system generated reports from respective IT infrastructure which have been automated.
1.5 Create public, provider and stakeholder awareness about the roles and powers of the OHSC	Number of media and communication events and campaigns conducted annually	19	12	21	+9	**Community awareness campaigns:** Public awareness campaigns were conducted to reach out and share information with the public about the work of the OHSC and Health Ombud in various communities and health establishments. Collaborations were formed with bodies such as the Health Professions Council of South Africa, Office of the Military Ombud, Board of Healthcare Funders, South African Pharmacy Council, Hospital Association of South Africa, International Society for Quality in Healthcare.

PROGRAMME 1: ADMINISTRATION						
Strategic objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to actual achievement for 2019/20	Comment on deviations
1.6 Support the mandate and objectives of the OHSC through MoUs with relevant regulators or other organisations	Number of MOUs signed annually with regulators/other organisations to protect and promote healthcare quality and safety	2	2	1	-1	Registrar placement agreement was entered into between the OHSC and the University of Pretoria. The OHSC was in the process of discussing and entering an MOU with the National Institute of Occupational Health (NIOH).

Key for Actual Achievement column

- Achieved
- Partially achieved
- Not achieved

Human Resource Management

Achievements

During the financial year under review, 115 of the 125 funded posts were filled as at 31 March 2019, and this constituted 92% of the funded posts, against a target of 90%. The recruitment process was fast-tracked by applying different methods of recruitment to ensure that recruitment processes are concluded timeously.

Furthermore, the OHSC implemented an employee wellness programme which included health risk assessment for employees. In addition, other programmes were implemented, amongst them, employee training and development, certification of inspectors, as well as performance management system. These were implemented as part of ensuring a conducive work environment to assist in the realisation of the Organisation's strategic objectives.

Certification of OHSC Inspectors, Complaints Assessors and Investigators

It is a requirement of the National Health Amendment Act that OHSC Inspectors be certified to enable them to perform their duties of inspecting health establishments. In this regard, the OHSC appointed the University of Fort Hare to facilitate the training of all inspectors, complaints assessors and investigators, following which the certification was completed. The training curriculum of the course was aligned to the norms and standards as promulgated by the Minister of Health.

Relocation to the new Offices

Since the commencement of its operations in 2015, the OHSC has been steadily growing in terms of employee numbers. To this end, it became necessary that suitable office space be procured to ensure a favourable work environment for a growing organisation. Following the procurement processes undertaken, the OHSC duly relocated to new office premises during the course of the financial year.

Challenges

Limited personnel funding

Despite that fact that the structure makes provision for posts in different units, only a limited number of posts are funded due to the organisation's budgetary constraints.

Moving forward

Going forward, the OHSC will prioritise the implementation of the revised organisational structure.

Finance and Supply Chain Management

Achievements

The financial year 2019/20 was the fifth year of operation for the OHSC. During this year, the OHSC achieved an unqualified audit opinion from the AGSA. Policies and procedures are in place to ensure good governance, sound risk management, and to prevent and detect fraud.

The OHSC continued to implement audit recommendations to strengthen the internal control environment and good governance, with sound risk management to prevent and detect. The anonymous fraud hotline number continued to operate throughout the year.

For the year under review, the internal audit function was performed by an outside internal audit firm, as per the internal audit coverage plan approved by the Board, which served as a basis for the internal audit work for the financial year. In line with the internal audit coverage plan, internal audits were conducted on quarterly predetermined objectives, information technology, supply chain management, as well as compliance.

The OHSC is subject to provisions of the PFMA and National Treasury regulations, and in line with these, periodic and regular financial and performance reports were prepared and reported to the relevant internal and external stakeholders.

A strategic risk assessment was conducted considering the internal and external operational environment of the OHSC, as well as past experiences based on previous risk assessments. Through the process of risk assessment, the OHSC updated its strategic risk register, to enable a proactive response to existing and emerging risks. Internal control measures were also reconsidered to mitigate the risks identified during the strategic risk assessment.

The OHSC received the full transfer from the national fiscus, as well as raising additional revenue in the form of interest from the investment of funds.

Challenges

With the growth of the organisation, the inadequacy of funding remained one of the major challenges facing the OHSC. The promulgation of the norms and standards and increased visibility of the OHSC has increased the work of the OHSC and will require corresponding financial resources to keep pace with the increase in the volume of activities.

Moving forward

The OHSC will continue to have consultations and engagements with the national Government regarding funding. The OHSC will also consider the feasibility of decentralising some of its activities to increase inspection coverage.

Information And Communications Technology (ICT)

Achievements

ICT Strategy

In keeping with the ever-changing ICT environment, the ICT strategy was reviewed focusing on critical aspects such as electronic inspection tool, annual returns, an Early Warning System (EWS), digitisation, automation, business intelligence, security, and risk management.

Call Centre

The Call Centre which allows members of the public to lodge complaints with the OHSC has been successfully operational for the fifth year. The Call Centre serves as the interface between members of the public and the OHSC.

The activities related to the operations of the complaints call centre are reported under Programme 3: Complaints Management and Ombud.

Electronic Inspection System

The existing electronic inspection system has contributed significantly to the efficient processes of inspecting health establishments for compliance with the regulated norms and standards. The OHSC has successfully appointed a service provider to continuously provide support, maintenance, and optimisation of the inspection systems.

The activities related to the functioning of the electronic inspection systems are reported under Programme 2: Compliance Inspectorate, Certification and Enforcement.

Annual Returns System

The online annual returns system for the public and private sector has been successfully operational. This system is meant to assist health establishments to comply with the legal requirement to lodge annual returns with the OHSC within a specified time.

Implementation of ICT Infrastructure

During the financial year 2019/20, the OHSC moved to new office premises, which necessitated the implementation of the requisite ICT infrastructure to support and sustain the operations of the OHSC. The ICT infrastructure was successfully implemented and is continuously monitored to ensure that the interruptions are minimised.

Challenges

One of the main challenges is that of ensuring the sustainability of ICT infrastructure and core systems that are being used, as well as keeping abreast with technological changes in the ICT environment.

Moving forward

Although the OHSC has made some progress in implementing the ICT strategy, the following projects will receive priority in the 2020/21 financial year:

- Enhancement of information systems, such as inspections tools and an EWS; software which plays an important role in core business delivery.
- Development and implementation of disaster recovery plans.

Communication and Stakeholder Relations

Achievements

Public Awareness Campaigns

Public Awareness Campaigns in the form of roadshows were conducted to share information with members of the public on the work of the OHSC and Health Ombud in various health establishments and communities at Dr SJ Moroka Local Municipality in Mpumalanga, Bergrivier Municipality in the Western Cape, Waterberg District in Limpopo and Thabo Mofutsanyane in the Free State provinces. Information, Education and Communication (IEC) materials were distributed and shared with members of the public, patients, and health facility staff in Mpumalanga, Western Cape, Limpopo and Free State provinces.

The OHSC dedicated 67 Minutes for Nelson Mandela Day by proving a talk and donating sanitary towels to grade 11 and 12 learners and teachers at Machadam Intermediate Farm School at Mooinooi in the North West province.

Participation and collaborations were formed with bodies such as the South African Pharmacy Council, Board of Healthcare Funders, Hospital Association of South Africa, International Society for Quality in Healthcare (ISQua), Office of the Military Ombud, and Health Professions Council of South Africa to reach out and share information about the work of the OHSC and Health Ombud with stakeholders during exhibitions in the North West and Western Cape provinces.

Table 5: OHSC Roadshows conducted OHSC in 2019/20 financial year

PROVINCE AND LOCALITY	ACTIVITIES	PERIOD
Mpumalanga Province Dr SJ Moroka Local Municipality	A roadshow was conducted to reach out and share information with members of the public on the work of the OHSC and Health Ombud in eight health establishments including, amongst others: ● Pankop Clinic ● Phake Clinic ● Mamehlake CHC ● Mamehlake Hospital ● Nokaneng CHC ● Marapyane CHC ● Greenside Day Clinic ● Seabe CHC IEC material shared with patients, staff and members of the public during the campaign.	27 June 2019

PROVINCE AND LOCALITY	ACTIVITIES	PERIOD
North West Province Machadam Intermediate Farm School in Mooinooi	The OHSC dedicated 67 Minutes for Nelson Mandela Day by proving a talk and donating sanitary towels to grade 11 and 12 learners as well as teachers at Machadam Intermediate Farm School. The OHSC shared an oral presentation and IEC to grade 11 and 12 learners as well as teachers at the school.	18 July 2019
Western Cape Province Cape Town International Convention Centre, City of Cape Town,	The OHSC engaged delegates on its work during the Board of Healthcare Funders conference in the Western Cape Province. IEC material shared with delegates visiting the OHSC stand.	21 - 24 July 2019
Western Cape Province Cape Town International Convention Centre, City of Cape Town,	The OHSC engaged delegates on its work during the Hospital Association of South Africa conference in the Western Cape Province. IEC material also shared with delegates visiting the OHSC stand.	26 - 28 August 2019
Western Cape Province West Coast District, Bergrivier Municipality	Community engagements were conducted to share information on the work of the OHSC, the Health Ombud and the Office of Military Ombud with the public on the following communities: ● Veldrift Community ● Redelenguys Community ● Aurora and Piketberg Community ● Porterville Community ● Eendekuil Community	8 - 10 October 2019
North West Province Sun City Super Bowl	The OHSC shared information with delegates at the exhibitions of the 3rd South African Pharmacy Conference. IEC material shared with the delegates visiting the OHSC stand.	3 – 5 October 2019
Western Cape Province Cape Town International Convention Centre	The OHSC shared information with delegates at the exhibitions of the SQua Conference. The OHSC presented five abstracts to the delegates during the conference. IEC material shared with the delegates visiting the OHSC stand.	20 - 23 October 2019
Limpopo Province Waterberg District	A roadshow was conducted to reach out and share information with these community members about the work of the OHSC in Limpopo Province: ● Ellisras District Hospital ● Witpoort Hospital ● Shongoane ● Witpoort Community Hall ● Abbotspoort ● Ga Monyeki IEC material shared with the community members, patients, and health establishments staff.	11 - 13 February 2020
Free State Province Thabo Mufutsanyane	A roadshow was conducted to reach out and share information with these community members about the work of the OHSC in the Free State Province: ● Senekal Hospital ● Clocolan ● Ficksburg ● Fouriesburg ● Marquard ● Clarens IEC material shared with the community members, patients, and health establishments staff.	18 - 20 February 2020

Media engagements conducted by the OHSC in 2019/20 financial year

The Health Ombud released a media statement following the public outrage on the incident of a patient who was tied to a chair allegedly by staff at Mamelodi Day Hospital. A media statement was released by the Health Ombud on the implementation of the National Health Insurance (NHI) Bill. The OHSC released a media statement on the safety of health workers and the general public during the period of combating the spread of COVID-19.

Table 6: Media interaction conducted by the OHSC in 2019/20 financial year

ACTIVITIES	PURPOSE	LOCATION
The Health Ombud released a media statement following the public outrage on incident of a patient who was tied to a chair allegedly by staff at Mamelodi Day Hospital	To raise concerns following the public outrage on incident of a patient who was tied to a chair allegedly by staff at Mamelodi Day Hospital	**Media coverage:** News24, Citizen, Medical Brief, Pretoria News, The Star, Power 987, Times Live, IOL, 702, EWN, SABC News, Rekord, Mail & Guardian, City Press, EWN, Sunday Times, ENCA, Social Media
A media statement was released by the Health Ombud on the implementation of the National Health Insurance (NHI) Bill	To make acknowledgement of the implementation of the NHI Bill	**Media coverage:** Daily Maverick, Sowetan, Medical Brief, The Star, Pretoria News, Business Day, Sunday Times, Sunday World, City Press, News 24, Health-E News, Women's Health, Health 24, SABC News (Radio & TV), ENCA, Die Beeld, Mail & Guardian, Daily Sun, Newsroom Africa, 702, EWN, Khaya FM, Social Media, DFA, Volksblad
Media release pertaining to the safety of all healthcare workers and the general public during the period of combating the spread of the COVID-19	To request health establishments to provide personal protective equipment to staff and general public.	**Media coverage:** Beeld, Business Day, Citizen, Sowetan, Pretoria News, The Times, Daily Dispatch, Rapport

OHSC and the Health Ombud websites

As part of accessing and increasing stakeholder engagement, and enhancing the image of the OHSC, the content of the OHSC and Health Ombud websites were updated on a regular basis to ensure that the websites remain current and relevant with content. The OHSC website attracted 84 710 users between April 2019 to March 2020. The Health Ombud website attracted 21 733 users between April 2019 to March 2020.

Challenges

Limited human and financial resources have proven to have adverse effects on the OHSC's capacity to fulfil its mandate, especially during the campaigns.

Moving forward

The Communication and Stakeholder relations programmes will host activities to strengthen the growing mandate of the OHSC during 2020/21 financial year:

- Engagements with communities and stakeholders
- Radio and television campaigns
- Participation in community events
- Social media engagements
- Participation in conferences organised by stakeholders

Table 7: Performance against allocated budget: Programme 1: Administration

Programme	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000
Administration	57 709 952	70 625 809	(12 915 857)
TOTAL	**57 709 952**	**70 625 809**	**(12 915 857)**

The over expenditure was funded from commitments and surplus from 2018/19 as approved by the National Treasury.

PROGRAMME 2: COMPLIANCE INSPECTORATE, CERTIFICATION AND ENFORCEMENT

Programme purpose

To manage the inspection of health establishments in order to assess compliance with national health system's norms and standards as prescribed by the Minister, certify health establishments as compliant or non-compliant with prescribed norms and standards and take enforcement action against non-compliant health establishments.

Table 8: Strategic objectives for Compliance Inspectorate, Certification and Enforcement

Strategic Objective 2.1	**Inspect regulated (public and private) HEs for compliance with prescribed norms and standards at least every four years**
Objective statement	Compliance with acceptable standards of quality and safe healthcare delivery in public and private sector HEs are monitored and inspected at least every four years, and relevant action is taken
Indicator	# and % of public sector HEs inspected annually by the OHSC
Baseline (2018/19)	19.13%
Target (2015-20)	20%
Indicator	# and % of private sector HEs inspected annually by the OHSC
Baseline (2018/19)	0
Target (2018-20)	30%

Strategic Objective 2.2	**Certify HEs that are compliant with prescribed norms and standards**
Objective statement	HEs that comply with prescribed norms and standards receive certificate of compliance within 60 days of inspection
Indicator	Procedures for certification process developed
Baseline (2018/19)	Certification procedures developed
Target (2015-20)	Certification procedures developed and finalised
Indicator	% compliant HEs certified within 60 days after the final inspection report
Baseline (2018/19)	0%
Target (2018-20)	100%

Strategic Objective 2.3	**Effect enforcement action against persistently non-compliant HEs**
Objective statement	Enforcement action is taken against persistently non-compliant HEs
Indicator	Procedures for timely enforcement action developed
Baseline (2018/19)	Enforcement procedures developed
Target (2015-20)	Enforcement procedures developed and finalised
Indicator	% persistently non-compliant HEs for which enforcement action is initiated within 10 days from date of receipt of re-inspection report
Baseline (2018/19)	0%
Target (2018-20)	100%

Strategic Objective 2.4	**Publish information about compliance status of HEs with norms and standards**
Objective statement	Information relating to compliance with norms and standards by HEs is published annually
Indicator	# of reports on inspections conducted, remedial recommendations issued and compliance status of HEs (annual inspection report)
Baseline (2018/19)	-1
Target (2015-20)	5

Overview of deliverables and achievements

The OHSC conducted inspections for the regulated norms and standards. During the 2019/20 financial year, a total of 647 public sector HEs were inspected against a target of 687. The inspections were conducted in Primary Health Care facilities.

Table 9 below display the actual performance against the planned targets for the strategic objectives of Programme 2.

Table 9: Performance against strategic objectives for the 2019/20 financial year

PROGRAMME 2: COMPLIANCE INSPECTORATE, CERTIFICATION AND ENFORCEMENT						
Strategic objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to actual achievement for 2019/20	Comment on deviations
2.1 Inspect regulated (public and private) HEs for compliance with prescribed norms and standards at least every four years	# and % of public sector HEs inspected annually by the OHSC	19.13% (730/3816)	18% (687/3816)	16.95% (647/3816)	- 1.5 % (40 / 3816)	Inspections target for the financial year 2019/20 was 687, which was not achieved. 647 HEs were inspected with a short fall of 40 facilities. * These were to be inspected in March 2020 and due to COVID-19 inspections were cancelled. Over and above the regulated inspections a total pilot of 31 inspections were conducted. PHC (16) facilities and CHC (15).
	# and % of private sector HEs inspected annually by the OHSC	-	6 % (24/393)	0	-6%	Inspections of private health care facilities has not commenced due the ongoing process of consultations with the private sector on the development of tools.

PROGRAMME 2: COMPLIANCE INSPECTORATE, CERTIFICATION AND ENFORCEMENT						
Strategic objective	**Performance indicator**	**Actual achievement 2018/19**	**Planned target 2019/20**	**Actual achievement 2019/20**	**Deviation from planned target to actual achievement for 2019/20**	**Comment on deviations**
2.2 Certify HEs that are compliant with prescribed norms and standards	Procedures for certification process developed	Draft certification procedures have been developed	Certification procedures developed and finalised	Certification Procedures Implemented	None	Implementation of the Certification Procedures depends on the finalisation of the inspection process, including the 60-day timeframe for exchange of information between the OHSC and inspected HEs. The initial phases of the certification process of inspected HEs in 2019/20 have commenced in March 2020.
	% compliant HEs certified within 60 days after the final inspection report	No planned target	100%	0%	-100%	The certification process started in March and currently underway, the inspection reports from the eight provinces are undergoing internal and external review processes. The total number of certified HEs will be reported after the process is finalised.
2.3 Effect enforcement action against persistently non-compliant HEs	Procedures for timely enforcement action developed	Draft procedures for timely enforcement have been developed	Enforcement procedures developed and finalised	Enforcement Procedures developed and finalised	None	Enforcement Policy has been finalised and was to be published in the Government Gazette end of March 2020. This was delayed to a later date due to the national lockdown.
	% persistently non-compliant HEs for which enforcement action is initiated within 10 days from date of receipt of re-inspection report	No planned target	100%	0%	-100%	The enforcement process started in March 2020 and the number of HEs against which enforcement action has been taken will be reported after the process is finalised.

PROGRAMME 2: COMPLIANCE INSPECTORATE, CERTIFICATION AND ENFORCEMENT						
Strategic objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to actual achievement for 2019/20	Comment on deviations
2.4 Publish information about compliance status of HEs with norms and standards	# of reports on inspections conducted, remedial recommendations issued and compliance status of HEs (annual inspection report)	-1	1	0	-1	The draft annual inspection report has been developed and will be disseminated to stakeholders.

*Inspections were conducted in eight out of nine provinces; inspections in the Western Cape Province were scheduled to take place towards the end of March 2019 and could not proceed due to the COVID-19 pandemic.

Key for Actual Achievement column

- Achieved
- Partially achieved
- Not achieved

Achievements

Compliance Inspectorate

During the 2019/20 financial year, the Compliance Inspectorate Unit piloted the regulated norms and standards tools for primary health care and community healthcare in different provinces. The first regulated inspections started in July 2019 to March 2020. A total of 647 against a target of 687 inspections were conducted in Primary Health Care facilities. There was a shortfall of 40 facilities, as inspections were cancelled due to the Covid-19 pandemic. The inspections were planned for all nine provinces; however, they were conducted in eight of nine provinces. Inspections were not conducted in the Western Cape province as they were scheduled towards the end of March 2019. Due to the COVID-19 public health emergency, these inspections could not proceed.

A Compliance Status Framework was used as a tool to determine the status of compliance by HEs to regulated norms and standards. The tool guided the OHSC in making compliance decisions in a transparent, fair, and consistent manner. In general, compliance means conforming to a rule, such as a specification, policy, standard or law. For an organisation to become compliant, it must take steps to comply with the relevant laws, policies and regulated norms and standards.

The risk rating is a methodology used to determine the level or the extent of a risk, as being minimal, low, medium or high, based on the potential consequences of risk and the level of the potential impact the non-compliance may have on users. Risk is measured in the area where it occurs. In the context of the OHSC, risk will be measured at a functional area level. The OHSC applied the Australian risk rating methodology to assign the risk level for each measure.

The OHSC used the four-point Likert scale to determine compliance grading for HEs. The grading levels are: Excellent, Good, Satisfactory and Unsatisfactory; however, there are measures that are life-threatening that must be complied with by any HE, to be deemed compliant.

Sampling of HEs

The sampling strategy took into consideration the distances between the HEs, the allocated budget, time, and the number of Inspectors available.

A purposive sampling methodology was used where a target of 18% was applied in provinces and districts in accordance with the type of HE. The location of HEs in sub-districts and districts is considered in the selection of HEs to maximise efficiency in the use of the limited inspection resources. The percentage of HEs inspected per province is 16.95% (647/3816).

Table 10: Inspection coverage for public sector health establishments in the eight provinces for the 2019/20 financial year.

PROVINCE	PRIMARY HEALTH CARE FACILITY
Eastern Cape	161
Free State	51
Gauteng	87
KwaZulu-Natal	121
Limpopo	73
Mpumalanga	54
North West	62
Northern Cape	38
Total	**647**

Healthcare risk waste management audits 2019/20

During the 2019/20 financial year, the National DoH placed 13 Community Service Environmental Health Practitioners (EHPs) in the employ of the OHSC for the purpose of conducting audits on the management of healthcare risk waste in seventy-eight (78) public health establishments. This programme assisted the National DoH in fulfilling its legislative obligations related to conducting environmental health audits, as well as assisting the incumbents with the requisite opportunity for community service in their areas of work.

A total of 85 health establishments was audited nationally. The National DoH audit schedule for the 2019/20 financial year, as well as logistical issues, were taken into consideration when determining the number of facilities to audit in each province. The number of facilities, audited by province and level of care, are shown in the table below.

Table 11: Health Risk Waste Management Audits conducted during the 2019/20 Financial Year

Category Type	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape	TOTAL
Clinics	0	0	0	0	0	0	0	0	0	0
Community Health Centres	5	1	4	3	6	8	4	6	2	39
District Hospitals	6	4	1	1	9	3	2	2	4	32
Regional Hospitals	2	0	2	3	1	0	0	0	0	8
Provincial Hospitals	0	0	0	1	0	0	0	0	0	1
Central Hospitals	0	0	0	0	0	0	0	0	0	0
Specialised Hospitals	0	0	0	0	0	1	0	0	1	2
Specialised TB Hospitals	0	0	0	0	0	1	0	0	1	2
Specialised Psychiatric Hospitals	1	0	1	0	0	0	0	0	1	3
TOTAL	**14**	**5**	**8**	**8**	**16**	**12**	**6**	**8**	**8**	**85**

Challenges

The major challenge which has a potential to impede the execution of the OHSC mandate is the limited financial and human resources, to allow maximum coverage of inspections and enable the OHSC to carry out its mandate of inspecting all HEs every four years

This availability of resources is vital in ensuring full execution of the mandate of the OHSC Compliance Inspectorate in line with the National Health Act, 2003 and the applicable regulations in support of Government's national priorities.

Way forward

The office is planning on decentralising inspections for more coverage and decrease inter-provincial travel.

Certification and Enforcement

In the previous financial years, and with specific reference to the Certification and Enforcement function, the OHSC was establishing processes for implementation of the function. The operating procedures for certification were approved by the Board and implementation thereof commenced towards the end of the 2019/20 financial year, that is in March 2020. The Enforcement Policy was finalised and approved by the for final publication in the Government Gazette. The purpose of the Enforcement Policy is to outline the approach and principles adopted by the OHSC for the exercise of enforcement powers. Publication of the Policy in the Government Gazette was delayed by the national lockdown due to COVID-19, however, it will be prioritised soon after reopening of public institutions.

Challenges

The main challenge relating to certification and enforcement remains the capacity and/or resource constraints. However, the OHSC is considering different models, including, charging for services rendered, which will alleviate the financial constraints facing the organisation.

Way Forward

The Certification and Enforcement Manual will be shared with stakeholders and published on the OHSC website for public consumption. The OHSC will be issuing certificates of compliance to all HEs found to be compliant with the norms and standards. Where persistent non-compliance is identified, compliance enforcement will be effected. The OHSC will continue to educate the stakeholders on the OHSC certification and enforcement processes, including roles and responsibilities for all stakeholders.

Table 12: Performance against allocated budget: Compliance Inspectorate

Programme	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000
Compliance Inspectorate	48 774 611	55 359 810	(6 585 198)
TOTAL	**48 774 611**	**55 359 810**	**(6 585 198)**

The over-expenditure was funded through the commitments and surplus from 2018/19 as approved by the National Treasury.

PROGRAMME 3: COMPLAINTS MANAGEMENT AND OMBUD

Programme purpose

To consider, investigate and dispose of complaints relating to the non-compliance with prescribed norms and standards in a procedurally fair, economical, and expeditious manner.

Description of strategic objectives

Table 13: Strategic objectives for Complaints Management and Ombud

Strategic Objective 3.1	**An accessible mechanism by which complaints can be lodged with the OHSC is in place**
Objective statement	An accessible mechanism by which Complaints can be lodged with the OHSC is in place
Indicator	Fully functional Call Centre for receiving complaints
Baseline (2018/19)	Call Centre functional
Target (2015-20)	Call Centre functional

Strategic objective 3.2	**Investigate and respond to complaints about non-compliance with norms and standards effectively**
Statement	Complaints regarding non-compliance with norms and standards are effectively investigated and responded to
Indicator	% low risk complaints resolved in the Call Centre within two months of lodgement
Baseline (2018/19)	77.84%
Target (2015/20)	60%
Indicator	% of user complaints resolved within 30 working days through assessment/screening
Baseline (2018/19)	49.92%
Target (2015/20)	30%
Indicator	% of complaints lodged with the OHSC investigated and responded to within six months
Baseline (2018/19)	55.3%
Target (2015-20)	80%

Strategic objective 3.3	**Issue findings and recommendations about complaints of non-compliance with prescribed norms and standards within six months**
Statement	Findings and recommendations relating to complaints of non-compliance with prescribed norms and standards are issued within six months
Indicator	System and procedures for investigation of complaints set up
Baseline (2018/19)	-
Target (2015/20)	System set up and functional
Indicator	% of investigation finalised within 6 months by the Ombud
Baseline (2018/19)	-70%
Target (2015-20)	80%

Strategic objective 3.4	**Communicate and monitor recommendations made by the Ombud**
Statement	Ombud recommendations about complaints of non-compliance with prescribed norms and standards are communicated to OHSC for monitoring and follow up
Indicator	Procedures for communication and monitoring of Ombud recommendations set up and functional
Baseline (2018/19)	-
Target (2015/20)	System set up and functional
Indicator	% of Ombud recommendations monitored for implementation within six months of tabling to OHSC
Baseline (2018/19)	100%
Target (2015-20)	85%

Overview of deliverables vs. achievements

Table 14: Performance against strategic objectives for the 2019/20 financial year

PROGRAMME 3: COMPLAINTS MANAGEMENT AND OMBUD						
Strategic objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to actual achievement for 2019/20	Comment on deviations
3.1 An accessible mechanism by which Complaints can be lodged with the OHSC is in place.	Fully functional Call Centre for receiving complains	Call Centre functional	-	-	-	Achieved in 2016/17.
3.2 Investigate and respond to complaints or concerns about non-compliance with norms and standards effectively	% low-risk complaints resolved in the call centre within two months of lodgement	77.84% (1082/1390)	60%	95.58% (1580/1651)	+35.58%	Target exceeded. A total of 1489 low-risk complaints were cumulatively received in the Call Centre for the financial year 2019/20 and 162 were carried forward into the financial year. This excluded private health establishment. 1580 were resolved within 2 months with private HEs excluded.

PROGRAMME 3: COMPLAINTS MANAGEMENT AND OMBUD						
Strategic objective	**Performance indicator**	**Actual achievement 2018/19**	**Planned target 2019/20**	**Actual achievement 2019/20**	**Deviation from planned target to actual achievement for 2019/20**	**Comment on deviations**
	% of user complaints resolved within 30 working days through assessment/ screening	49.42% (43/87)	30%	7.3% (9/124)	-22.74%	A total of 26 cases was cumulatively assigned for assessment and 98 backlog cases were carried forward. Eight were assigned for investigation due to their high-risk level and one was closed within 30 working days. An additional 93 backlog cases were further resolved through assessment and 12 investigation referrals were done outside the 30 working days.
	% of complaints received for investigation and responded to within six months	New Indicator	40%	10.00% (2/20)	-30.00%	A total of 20 cases were referred for investigation, of the 20 cases referred, two cases were resolved within six months for the period under review. 20 backlog cases were prioritised for investigation and were resolved in addition to the aforesaid two cases resulting in a total of 22 cases resolved in 2019/20.
3.3 Issue findings and recommendations about complaints of non-compliance with prescribed norms and standards within six months	System and procedures for the investigation of complaints setup	-	-	-	-	The system and procedures for the investigation of complaints were set up in 2016/17.
	% of investigations finalised within six months by the Ombud	-	-		-	No planned target for 2019/20.

PROGRAMME 3: COMPLAINTS MANAGEMENT AND OMBUD						
Strategic objective	**Performance indicator**	**Actual achievement 2018/19**	**Planned target 2019/20**	**Actual achievement 2019/20**	**Deviation from planned target to actual achievement for 2019/20**	**Comment on deviations**
3.4 Communicate and monitor recommendations made by the Ombud	Procedures for communication and monitoring of Ombud recommendations set up and functional	Procedures for communication and monitoring of Ombud recommendations approved	-	-	-	Target achieved in 2017/18
	% of Ombud recommendations monitored for implementation within six months of tabling to OHSC	100%	85%	100%	+15%	All recommendation to the Health Professions Council of South Africa (HPCSA), and the South African Nursing Council (SANC) related to the Life Esidimeni report were monitored All recommendations to the HPCSA, the Minister of Health, the South African Society of Psychiatrists (SASOP), the South African Council for Social Service Professions (SACSSP), Eastern Cape DoH and SANC, related to Tower Psychiatric Hospital and Psychosocial Rehabilitation Centre were monitored.

Key for Actual Achievement column

- Achieved
- Partially achieved
- Not achieved

Achievements

Complaints Centre and Assessment

The Complaints Centre and Assessment operated at a human resource capacity of 76% (19/25) due to funding limitations. The Call Centre operated at a capacity of 61.53% (8/13) and the Assessment Unit at a capacity of 88.88% (8/9). The six posts funded through surplus made a difference.

There was a 9.4% increase in the number of complaints received in comparison to 2018/19 financial year; 2083 complaints were registered in the OHSC Complaints Management System during the reporting period as compared with 1 904 in the 2018/19 reporting year. The Unit exceeded the targets in one of the two strategic objectives set for the financial year; resolution of low-risk complaints in the Call Centre accounted for 95.58% (1580/1651) and those resolved through screening accounted for 7.3% (9/124) as depicted in the table above. A total of 20 complaints was assigned to the investigation unit; however, only 9 were assigned within 30 working days. Ten percent of complaints (2/20) was resolved within six months for the period under review.

The trend analysis will be covered in the Health Ombud Annual Report.

Challenges

The Complaints Management Programme has completed the fifth financial year of operation with limited funding on the approved posts, including the Executive Managers which conflates roles and compounds challenges in strategic imperatives of the programme.

Moving Forward

- In 2020/2021, the OHSC intends to appoint an Executive Manager to oversee the strategic imperatives of the programme.
- Initiate a backlog project.
- Host a Complaints Management Seminar for critical national health stakeholders.

Table15: Performance against allocated budget: Complaints Management and Ombud

Programme	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000
Complaints Management and Ombud	17 514 893	18 761 727	(1 246 834)
TOTAL	**17 514 893**	**18 761 727**	**(1 246 834)**

The over-expenditure arose from expenses that were part of prior-year commitments funded from the surplus as approved by the National Treasury.

PROGRAMME 4: HEALTH STANDARDS DESIGN, ANALYSIS AND SUPPORT

Programme purpose

To provide high-level technical, analytical and educational support to the work of the OHSC in relation to research of norms and standards; guidance on compliance with norms and standards, analysis of data collected and the establishment of communication networks with other stakeholders.

Description of strategic objectives

Table 16: Strategic objectives for Health Standards Design, Analysis and Support

Strategic objective 4.1	**All HEs obligated or regulated by prescribed norms and standards to submit annual returns before the end of March each year for purposes of monitoring and inspections**
Statement	All HEs obligated by prescribed norms and standards annually submit required data for analysis to determine the profile of each HE
Indicator	System for submission of annual returns by regulated HEs set up and functional
Baseline (2018/19)	System set up
Target (2015-20)	System set up and functional
Indicator	% of annual returns analysed within 60 days to determine the profiles of HE
Baseline (2018/19)	100%
Target (2015-20)	80%

Strategic objective 4.2	**Recommend norms and standards for different types of HEs for submission to the Minister for promulgation**
Statement	Norms and standards for different types of HEs are recommended to the Minister for promulgation
Indicators	Number of norms and standards recommended to the Minister annually
Baseline (2018/19)	1
Target (2015-20)	3

Strategic objective 4.3	**Provide guidance on compliance with norms and standards for regulated HEs**
Statement	National, provincial, district and municipal authorities and hospital groups that have completed the OHSC training of trainers programme
Indicators	# of relevant authorities responsible for support to HEs that have received guidance on compliance with norms and standards
Baseline (2018/19)	15
Target (2015-20)	14

Strategic objective 4.4	**Monitor early-warning reports of situations of potential risk from HEs or users to prioritise inspections**
Objective statement	Appropriate action (reporting, inspection, investigation) is taken against HEs identified as high risk by early warning reports
Indicator	A fully functional surveillance system that reports on potential risks to compliance
Baseline (2018/19)	System for data collection and surveillance has been set up
Target (2015-20)	System set up and functional
Indicator	% of HEs identified as high risks that are referred to the appropriate division/unit within OHSC
Baseline (2018/19)	100%
Target (2015-20)	100%

Overview of deliverables vs. achievements

Table 17: Performance against strategic objectives for the 2019/20 financial year

PROGRAMME 4: HEALTH STANDARDS DESIGN, ANALYSIS AND SUPPORT						
Strategic objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to actual achievement for 2019/20	Comment on deviations
4.1 All HEs obligated or regulated by prescribed norms and standards to submit annual returns before the end of March each year for purposes of monitoring and inspections	% of annual returns analysed within 60 days to determine their profiles of public sector HEs	100%	80%	100%	20%	359 Hospital annual returns profiles out of 394 were received. All submitted annual returns profiles were analysed within 60 days.
	% of annual returns analysed within 60 days to determine the profiles of private sector HEs	-	80%	0%	-80%	Demographic information was requested from the private HEs in preparation for their training and orientation on the system for submission of Annual Returns.

PROGRAMME 4: HEALTH STANDARDS DESIGN, ANALYSIS AND SUPPORT						
Strategic objective	Performance indicator	Actual achievement 2018/19	Planned target 2019/20	Actual achievement 2019/20	Deviation from planned target to actual achievement for 2019/20	Comment on deviations
4.2 Recommend norms and standards for different types of HEs for submission to the Minister for promulgation	Number of norms and standards recommended to the Minister annually	1	-	-	-	The quota of three sets of norms and standards for the 2015-2020 strategic plan was met in the 2018/19 financial year. No additional norms and standards were submitted in the 2019/20 financial year.
4.3 Provide guidance on compliance with norms and standards for regulated HEs	Number of relevant authorities responsible for supporting HEs that have received guidance for compliance with norms and standards	15	14	17	3	Training was delivered to all nine provinces for the clinic tools between May and July 2019 and for the CHC tools between October 2019 and February 2020. In addition, a standards development workshop for the CHC tools was held in August 2019 at which all nine provinces were represented
4.4 Monitor early warning reports of situations of potential risk from HEs or users to prioritise inspections	Fully functional surveillance system that reports on potential risks to compliance	System for data collection and surveillance has been set up	System for data collection and surveillance set up	System for data collection and surveillance set up	None	The finalisation of the system development to be concluded in 2020/21 by the system developers contracted in December 2019/20
	% of HEs identified as high risk that are referred to the appropriate division/unit within OHSC	100%	100%	100% (105/105)	None	None

Key for Actual Achievement column

- Achieved
- Partially achieved
- Not achieved

Achievements

Health Standards Development and Training

In this financial year, the Health Standards Design and Development unit and the Guidance and Support unit were merged to form the Health Standards Development and Training unit. The merge was approved to optimise functioning and effectiveness in the development of inspection tools and related training of inspectors and implementers of the regulations.

The Inspection tools for public sector primary care clinics and CHCs were finalised.

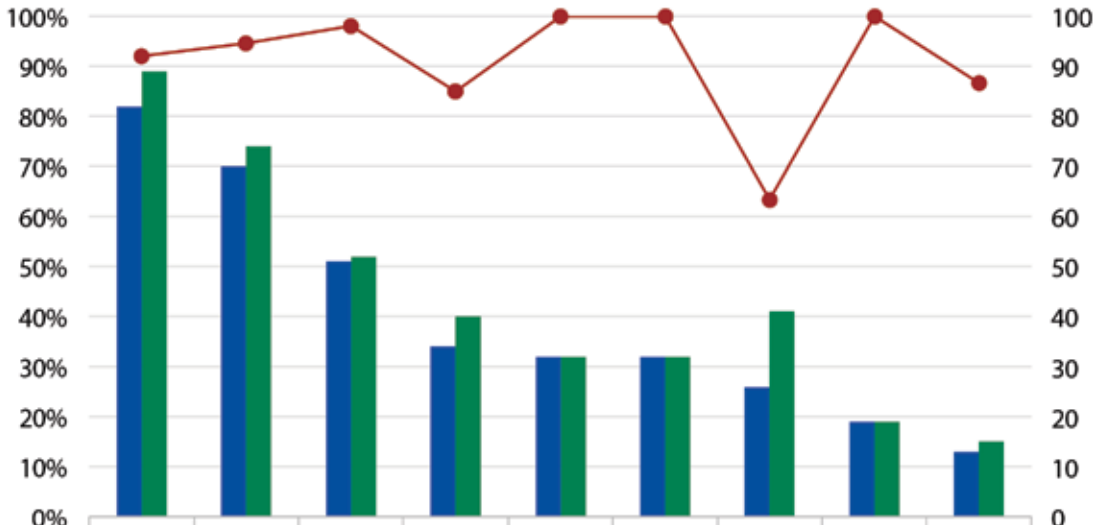
Training workshops for the public sector for clinic and CHC inspection tools were delivered in all provinces, using a train the trainer approach. Between 80 and 100 participants attended from each province with clear instructions to cascade the training to their colleagues at all HEs.

Development of hospital inspection tools is ongoing. Scoping visits were conducted in private hospitals to determine the need for specific inspection tools for various models of service delivery. Several workshops were held with the National DoH to finalise the content of the hospital tools.

The Manual provides information regarding the entire regulatory process, including the content of the inspection tools and the intended benefit of compliance with the regulations for users of health care services and HEs.

Annual Returns System

The Annual Returns Online System has been developed to enable the submission of HE profiles in line with the legislative requirement. In 2019/20, all 9 provinces implemented the submission of Annual returns for public sector hospitals, a total of 359 submissions were received. Following the submissions of the annual returns, workshops were conducted in provinces to provide feedback on the submitted information. The Annual Return System was introduced to the private sector with the submission of demographic information. Public and private HEs will submit annual returns for 2020/2021 financial year.



	EC	KZN	WC	GP	FS	MP	LP	NW	NC
Number of submissions	82	70	51	34	32	32	26	19	13
Number of hospital	89	74	52	40	32	32	41	19	15
Percentages	92%	95%	98%	85%	100%	100%	63%	100%	87%

Figure 5: Annual returns submission by province in financial year 2019/20

The above Figure shows annual returns submissions by the province in financial year 2019/20 whereby a total of 359 annual returns profiles were received out of 394 expected nationally from hospitals in the public sector. The graph indicates the expected annual returns for each province and the actual number submitted to the OHSC. An overall submission of 91% was achieved.

Early Warning System (EWS)

The EWS has been established to monitor indicators of risk in all health establishments. Stakeholders in the public and private sector were trained on the 11 indicators to be reported by HEs within 24 hours of becoming aware of the specified events which relate to serious breaches to the norms and standards. The reporting on EWS indicators commenced in quarter 3 in parallel with the training workshops. The EWS forum has been established to review EWS reports and determine an appropriate action to be taken by the OHSC. The EWS should effectively assist the health establishments to identify root causes to breaches to the norms and standards and implement appropriate measures as part of quality improvement as well as to prevent recurrence of similar incidents.

Challenges

The Health Standards Design, Analysis and Support division has been unable to address the issue of staff limitations due to unfunded posts, and additionally being unable to attract relevant skills during the recruitment process for funded posts. Several of the functions within the division are affected by the lack of required skills, resulting in current personnel being overstretched. The lack of technical expertise and the delay in the establishment of the Scientific Research Task Team to support the division has led to delays in implementation of research activities, as well as robust analysis which will require the integration of OHSC data to inform recommendations to relevant authorities.

Moving Forward

In 2020/21, the OHSC will continue to hold workshops on the regulated norms and standards to communicate the regulations, provide guidance on the intent of the regulations and the interpretation of measures to implementers of the regulations. Two additional staff members have been recruited for the Standards Development Unit to assist with the development of inspection tools and the related training for public and private sectors.

The hospital inspection tools for public and private sectors and specialist hospitals will be completed in the 2020/2021 financial year. Training will be provided for these tools, dependent on the resumption of interprovincial travel and gatherings of more than 80 people.

The OHSC will provide access to managers at different levels to enable the monitoring of submissions of annual returns and conduct feedback sessions annually to enable managers to identify areas of improvement in resource allocation for compliance with the norms and standards. System enhancements will be put in place for HEs to update information submitted in the previous year. Challenges in areas of patient safety based on the EWS reports will be highlighted to provide feedback in each province as well as to make recommendations on the identified gaps and lesson learnt from patient safety incidents to prevent a recurrence.

Table 18: Performance against allocated budget: Health Standards Design, Analysis and Support

Programme	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000
Health Standards Design, Analysis and Support	12 471 544	13 509 942	(1 038 398)
TOTAL	**12 471 544**	**13 509 942**	**(1 038 398)**

The over expenditure arose from expenses that formed part of prior year commitments.

REVENUE COLLECTION

Table 19: Revenue collection

Revenue	Budget	Actual Revenue	(Over)/Under Income
	R'000	R'000	R'000
Governement Grant and Subsidies	136 471 000	136 471 000	-
Interest Received	-	2 758 502	(2 758 502)
In-kind Donations	-	4 437 075	(7 195 577)
TOTAL	**136 471 000**	**143 666 577**	**(7 195 577)**

PART C:
GOVERNANCE

Introduction

The OHSC is a Schedule 3A public entity under the PFMA, 1999, with a Board appointed by the Minister of Health under the NHA and accountable to the Minister in terms of reporting on the operational activities of the entity. In executing its responsibility for corporate governance within the OHSC, the Board has put in place governance processes, systems and structures to assist in the control, direction and accountability of the entity.

Portfolio Committee

The Portfolio Committee on Health plays an oversight role on the activities of the OHSC, including ensuring that the public is informed of the existence of the OHSC and its role in the health sector. During the year under review, the OHSC had a meeting with the Portfolio Committee on Health where a presentation was made on the Annual Report of the 2018/19 financial year. The Portfolio Committee also commended the OHSC for the incisive efforts it took to increase visibility and accessibility, through various communication campaigns and stakeholder interactions undertaken during the 2018/19 financial year, particularly in historically disadvantaged areas. Due to the outbreak of COVID-19, the meeting between the Portfolio Committee and the OHSC, where a presentation of the Annual Performance Plan is made could not take place.

Executive Authority

During the year under review, the OHSC submitted the following reports/returns to the Executive Authority as required by the PFMA:

- Quarterly performance information reports and management accounts for the year 2019/20;
- 2020/21 Annual Performance Plan and Budget, including the Materiality and Significance Framework; and
- Report on compliance inspections findings in public HEs for the 2017/18 and 2018/19 financial years.

The Accounting Authority/Board

Dr. EM Kenoshi
Chairperson

Ms. OA Montshiwa
Deputy Chairperson

Dr. M Sengwana
Board Member

Dr. Adv. M Peenze
Board Member

Mr. AK Hoosain
Board Member

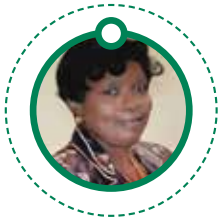
Ms. R Msibi
Board Member

Prof. KC Household
Board Member

Prof. K Mfenyana
Board Member

Prof. MN Chetty
Board Member

Prof. U Chikte
Board Member



Dr. L Simelane
Board Member

Introduction

The Board is appointed by the Minister of Health in terms of the National Health Act, 2003. Our Board remains effective and responsible for the overall leadership, transparency, and performance of the OHSC. The Board has delegated the day-to-day management and operations of the OHSC to the Chief Executive Officer. The Board believes that the OHSC team has the right combination of skills and abilities to drive the mandate of the Organisation, with the ability to interrogate issues and offer insights in all areas of our operations, including transformation and business evolution.

The Board operates under an approved Board Charter and ensures that financial and risk management, and internal controls are effective as required by the PFMA. Each member of the Board possesses a range of requisite skills, experience, and competencies to perform their occupation and are provided with additional support by the OHSC. In effectively providing oversight and guidance to the OHSC, the Board remains acutely aware of various legislations and relevant codes of best practice, including, but not limited to:

- The National Health Act, 2003;
- Public Finance Management Act, 1999 and Treasury Regulations;
- Income Tax Act, 1962;
- Value Added Tax Act, 1991; and
- Protocol on Corporate Governance for the Public Sector, 2002.

The Board's primary responsibilities include:

- Determining the purpose and values of the OHSC;
- Providing strategic and policy direction;
- Identifying the key risk areas and key performance indicators of the business;
- Monitoring the performance of the OHSC against agreed objectives;
- Advising the OHSC on significant financial matters and reviewing the performance of the Executive Management against defined objectives and, where applicable, industry standards.

During the period under review, the Board continued to provide Management with strategic direction to execute the OHSC strategy and implement the operational plans for the strategic programmes. The Board monitored and reviewed the quarterly performance reports in terms of strategic goal achievement and was satisfied with Management's progress in executing the organisation's strategic plan.

The role of the Board, specifically, is to:

- Retain full and effective control over the OHSC and monitor the implementation of the strategic plans and Board-approved financial, environmental, and social objectives;
- Define levels of authority, reserving specific powers to itself and delegating other matters, with the necessary written authority, to the CEO;
- Regularly monitor the delegation of authority;
- Ensure that an appropriate system of policies and procedures is in place and maintained and that suitable governance structures exist for the smooth, efficient, and prudent stewardship of the OHSC;
- Ensure OHSC compliance with all relevant laws and regulations, audit and accounting standards, codes of conduct and best business practice and any other such principles and codes as may be established by the Board from time to time;
- Regularly review and evaluate business risks to the OHSC and ensure that comprehensive, appropriate internal controls exist to mitigate such risks;
- Exercise objective judgement about the business affairs of the OHSC, independent from management but with sufficient management information to enable a proper and informed assessment; and
- Identify and monitor all aspects relevant to the business of the OHSC and ensure its responsible conduct towards all relevant stakeholders with a legitimate interest in its affairs.

In giving effect to its role, the Board defined the following key issues to consider in its control and direction of the OHSC:

- The Board assumes ultimate accountability and responsibility for the performance and affairs of the OHSC and therefore effectively represents and promotes the mandate and legitimate interests of the Organisation and its stakeholders;
- The Board has a responsibility to the broader stakeholders who include, among others, the present and potential beneficiaries of OHSC services, clients, suppliers, employees, and the wider community, to ensure their continuing benefits from the services of the OHSC;
- The Board develops clear definitions of the levels of appropriate materiality or sensitivity to determine the scope and delegation of its authority and ensure that it reserves specific powers and authority for itself as outlined in the NHA;
- That all delegated authority is in writing and evaluated on a regular basis to ensure relevance and effectiveness and alignment with the relevant changes in the OHSC;
- The Board manages the potential conflicts of interest of Board members, Management and the wider stakeholders to ensures clean, transparent and accountable governance within the OHSC;
- The Board oversees the values and ethics of the OHSC and ensures that the relevant code of conduct is in place;
- The Board is responsible for ensuring that succession plans are in place for the CEO, Executive Management and key positions within the OHSC; and
- The Board ensures that the technology and systems in the OHSC are appropriate for the effective and competitive running of the organisation as well as for the effective use of resources.

The Board manages and protects the financial position of the OHSC with assistance from the Internal Audit function to ensure that:

- There is strict adherence to the PFMA and National Treasury Regulations;
- The Annual Financial Statements fairly present the business of the entity, contain proper disclosures and conform to the requirements of the National Treasury Regulations;
- Appropriate internal controls and regulatory compliance, policies, procedures and processes are in place, and those non-financial aspects relevant to the OHSC are identified and monitored;
- The Board implements and maintains an effective organisational risk management framework and ensures that the key risk areas and key performance indicators of the OHSC are identified and monitored;
- The Board is satisfied that the OHSC has a sound communication policy and an effective stakeholder management framework and

that it communicates regularly, openly and promptly with its staff and all relevant stakeholders, with substance prevailing over form;

- The Board reviews the strategic direction of the OHSC and adopts business plans proposed for the achievement of objectives;
- The Board reviews processes to ensure that the OHSC complies with key legal obligations;
- The Board delegates appropriate authority to the CEO for capital expenditure and reviews investment, capital and funding proposals;
- The Board oversees performance against agreed targets and objectives; and
- The Board provides leadership and vision to enhance value and ensure the long-term sustainability of the OHSC.

Board Charter

Board activities are undertaken in line with the Board Charter developed in consultation with the executive authority. The Charter identifies the roles and responsibilities of the Board in relation to the interactions with management and sets out the fiduciary duties of the individual Board members and the role of the Chairperson of the Board. The Board Charter further deals with the management of conflicts of interests to ensure that the interests of the OHSC remain paramount in its decision-making process. The Board monitors compliance with the Charter by Board members and deals with issues of conflict in the manner provided for in the Charter.

Composition of the Board

The Board consisted of nine non-executive Board members appointed by the Minister of Health in terms Section 79B of the NHA. The CEO and the CFO are ex officio (executive directors) members of the Board. The term of office of the previous Board commenced on 1 January 2017 and ended on 31 December 2019. In February 2020, the Minister of Health, Dr Zweli Mkhize, appointed a new 11-member Board of the OHSC for a period of three years. There is diversity in the Board in terms of skills and competencies as prescribed by the NHA.

Table 20: Board members' information and meetings attended during the 2019/20 financial year

Name and designation	Date appointed	Date resigned	Qualification	Area/s of expertise	Board Directorships	Other Committees	Meetings attended
Dr EM Kenoshi (Chairperson)	07/02/2020	N/A	MBChB, DTM&H, Master's in Public Health (Hospital Management), Advanced Certificate in Healthcare Management	Public Health	None	None	1
****Ms OA Montshiwa (Deputy Chairperson)**	01/01/2017	N/A	Diplomas in General Nursing, Diploma in Midwifery, Bachelor of Nursing and Honours in Community Health	Nursing	None	HR and Rem; CEC Com	5
****Prof. MN Chetty**	01/01/2017	N/A	MBChB, FCFP (SA), MFamMed, MPH (USA) DTM+H, DOH, DHSM	Quality Standards Setting and Best Practice Initiatives	KZN Doctors Healthcare Coalition, IPA Foundation of SA. and UKUSA Healthcare Consultants	CEC Com	6

Name and designation	Date appointed	Date resigned	Qualification	Area/s of expertise	Board Directorships	Other Committees	Meetings attended
**Mr AK Hoosain	01/01/2017	N/A	B Com Honours, CA (SA), Certificate in Forensic Accounting, and MBA	Accounting	Council for Medical Schemes, SAICA and the University of Western Cape	ARF Com	5
Prof. K Mfenyana	07/02/2020	N/A	Teaching Diploma, BSc Degree, MBChB, Masters in Family Medicine	Academic	HPCSA	CEC Com	1
Dr L Simelane	07/02/2020	N/A	BSc, MBChB, University Edication Diploma, BSc (Zoology and Botany)	Public Health	None	CEC Com	1
Ms R Msibi	07/02/2020	N/A	Degree: Nursing Administration and Education, NHD: General, Midwifery and Psychiatry, ND: Unit Management, ND: Primary Health Care	Labour	None	CEC Comm HR and Rem Com	1
Dr M Sengwana	07/02/2020	N/A	ND: General, Community and Psychiatry, ND: Critical Care Nursing Science, Masters in Public Health, Doctor of Philosophy	Research	None	CEC Com ARF Com	1
Dr Adv M Peenze	07/02/2020	N/A	Doctor Technologiae: Business Administration, Magister Legum: Human Rights, Baccalaureus Legum, Baccalaureus Iuris	Law: Human Rights, Governance	International Association of Certified Fraud Examiners Advisory Council, Road Accident Fund, South African Institute for Drug-Free Sports	ARF Com HR Com	1
Prof. U Chikte	07/02/2020	N/A	PhD, MSc, MDent, DHSM, BChD	Education	None	HR and Rem Com	1
Prof. KC Househam	07/02/2020	N/A	MBChB, MD, FCP SA (Paediatrics) DCH(SA)	Public Health and Management	South African Health Products Authority, St Luke's Community Hospices	ARF Com	1

Name and designation	Date appointed	Date resigned	Qualification	Area/s of expertise	Board Directorships	Other Committees	Meetings attended
***Prof. S Whittaker Member**	01/01/2017	N/A	BSc, UED MBChB, FFCH (CM) SA MMed MD	Medicine Academia Quality improvement and healthcare	None	CEC	4
***Prof. EL Stellenberg Member**	01/01/2017	N/A	BCur (Gen Nursing, Midwifery and Psychology), B Hons (Nursing Education and Community Health Nursing) MCur, DCur. PGD in Nursing Admin, ICU and Psychiatry	Higher Education Research Quality Assurance and quality improvement in Health Services Risk management in Health Services Malpractice litigation in Nursing Practice	COHASA Board	CEC and HR and Rem Com	6
***Mr OMB Pharasi**	01/01/2017	N/A	M. Pharm (Medical School, Sofia)	Pharmacy Editing & Proof reading	None	ARF Com	5
# Dr BEW Masuku	01/01/17	21 May 2019	BSC, MBChB, Fellow College of Obstetrics and Gynaecology and Masters in Medicine	Medicine	Constitutional Hill Board and Council on Higher Education	HR and Rem Com	N/A
*** Ms KS Mahlangu**	29/05/2017	N/A	B Proc, LLB and MAP	Law	Road Transportation Board	ARF and CEC Com	5
*** Ms S Barsel**	29/05/2017	N/A	Certificate in Professional Coaching Practice, Advanced Diploma in Adult Education and BA	Parliamentary services, labour, health, and education sector	None	ARF Com	6

* **Term ended on 31 December 2019**

** **Reappointment**

\# **Resigned**

Board Committees

The Board established three sub-committees to assist in discharging its duties. The sub-committees operate according to the functions set out in Board-approved Terms of Reference for each sub-committee.

The table below lists the sub-committees, members of the sub-committees and the number of meetings held during the year under review.

Table 21: Board Sub-Committees, members and meetings for the 2019/20 financial year

Committee	Members	Number of meetings	Number of members
Audit, Risk and Finance Committee (ARF Com)	**Mr AK Hoosain (Chairperson) Dr Adv M Peenze Dr M Sengwana Prof. KC Household *Ms S Barsel *Mr OMB Pharasi *Ms KS Mahlangu	4	4
Certification and Enforcement Committee (CEC)	**Ms OA Montshiwa (Chairperson) ** Prof MN Chetty Dr M Sengwana Ms R Msibi Prof. K Mfenyana Dr L Simelane *Prof. EL Stellenberg *Prof. S Whittaker * Ms KS Mahlangu * Ms S Barsel * Mr OMB Pharasi	4	6
Human Resource and Remuneration Committee (HR and Rem Com)	Dr Adv M Peenze (Chairperson) Ms R Msibi Prof. U Chikte **Ms OA Montshiwa *Prof. EL Stellenberg *Mr AK Hoosain # Dr BEW Masuku	3	4

* **Term ended on 31 December 2019**

** **Reappointment**

\# **Resigned**

Remuneration of Board members

Board members are remunerated in terms of National Treasury tariffs for office-bearers of certain statutory and other institutions. The OHSC Board is classified under Category A, Sub-category A2 of the National Treasury tariffs. In terms of the Board Remuneration policy, remuneration is approved for meeting preparation of four hours in line with National Treasury hourly tariffs for sub-category A2 entities. The remuneration paid to each Board member for the year under review is included in the Annual Financial Statements under "Related Parties Transactions" (Note 23).

Risk management

The Board adopted a risk management policy and strategy which are aimed at optimal management of risk for the entity to achieve its vision and mission, principal tasks, key strategic objectives and to protect the core values of the organisation. Under the risk management policy, management conducts regular risk assessments to determine the effectiveness of the risk management strategy and identify new and emerging risks. A strategic risk

register was developed and identifies the top ten risks facing the entity. Mitigating controls are continuously being monitored for effectiveness in addressing the risks. Where these are found to be ineffective, new control measures are developed to mitigate risks to acceptable levels.

The Internal Audit function plays an important role when conducting risk-based audits to evaluate the effectiveness of management controls in mitigating risks and where gaps are identified, management implements recommended action plans to address the identified gaps. The Board is ultimately responsible for and assumes ownership of risk management as the accounting authority in line with Section 51 of the Public Finance Management Act, 1999. In this regard the Board has undertaken the following:

- Setting an appetite for risk for the OHSC;
- Determining the risk-bearing capacity and tolerance level for key risks, which should not exceed the risk appetite;
- Monitoring and reviewing the extent to which management has established effective risk management measures in their respective units;
- Ensuring that management has implemented an ongoing process to identify, assess and manage risks;
- Forming its own opinion about the effectiveness of the risk management process;
- Ensuring that the risk management process is formally evaluated on an annual basis; and
- Providing guidance and direction to management in respect of risk management.

The Audit, Risk and Finance (Committee (ARFC) was established to advise the Board on the overall system of risk management, especially the mitigation of unacceptable levels of risk. The Committee further advises the Board on risk management and independently monitors the effectiveness of the system of risk management.

The effective risk management process has resulted in improved performance and where controls were found to be ineffective, other controls were developed to address risks at tolerable levels.

Materiality and Significance Framework

For the year under review, the Board has, in terms of Treasury Regulations, developed a Materiality and Significance Framework, taking into account the size and operations of the OHSC.

Materiality

Taking into account the guidelines provided in the National Treasury's Practice Note on Applications Under Section 54 of the PFMA by Public Entities, the materiality amount of the OHSC was set at R1 360 947. The materiality amount was calculated as 1% of the OHSC total revenue of R136 094 702 for the 2017/18 financial year.

Significance

The Board has further decided that the following transactions and/or events will be reported on:

- Establishment or participation in the establishment of a company or public entity;
- Participation in a significant partnership, trust, unincorporated joint venture, public-private partnerships or similar arrangement;
- Acquisition or disposal of a significant shareholding in a company;
- Acquisition or disposal of a significant asset that would significantly affect the operations of the OHSC;
- Commencement or cessation of significant business activity;
- A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated;
- Joint venture or similar arrangement;
- Material infringement of legislation that governs the OHSC;
- Material losses resulting from criminal or fraudulent conduct in excess of the materiality parameters; and
- All material facts and/or events, including those reasonably discoverable, which in any way may influence the decisions or actions of the executive authority.

Internal Control Systems Unit

Internal control systems were implemented to create confidence in the financial position of the OHSC and ensure the safeguarding of assets (including the security of information) and compliance with applicable laws, regulations and government policy prescripts. Internal auditors monitor the functioning and effectiveness of the internal control systems and make recommendations to management and the ARFC. The ARFC reports to the Board regarding the internal control environment within OHSC and, where necessary, the Board adopts recommendations from the Committee to improve the internal control environment.

The internal control systems were designed to provide a reasonable, but not absolute, assurance about the integrity and reliability of the financial statements; safeguard, verify and maintain accountability of assets and detect fraud, potential liability, and loss and material misstatement; and comply with applicable laws and regulations.

The AGSA and Internal Auditors have considered the internal control systems as part of the annual audit and planned audits, respectively, and identified some deficiencies for which Management had to implement agreed action plans that address the deficiencies and

report progress with implementation to the ARFC to ensure an acceptable audit outcome in the next financial year.

Internal Audit and Audit, Risk and Finance Committee

Internal Audit is an outsourced function for a three-year period during which the entity will review its status to determine if the function could be insourced. Internal Audit is important as it provides independent assurance to the Board about the internal control environment in relation to business operations.

The Internal Audit function operates in terms of the Internal Audit Charter adopted by the Board on the recommendation of the ARFC. The Charter sets out the nature, role, responsibility, status and authority of internal auditing within the OHSC and outlines the broad scope of the Internal Audit function. The OHSC recognises that internal auditing is an independent, objective assurance and consulting activity designed to add value and improve operations through a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes that assist the entity to accomplish its objectives.

The Internal Audit function operates under the guidance and support of the ARFC. The Committee was established by the Board under the Terms of Reference that outline the functions, role and responsibilities of the Committee.

The ARFC provides assurance to the Board about the internal control environment in the OHSC, governance, risk management and financials, including budgeting, and is responsible for:

- Reviewing the Internal Audit Charter, including the scope of work undertaken by Internal Audit and the Internal Audit structure and budget;
- Ensuring effective coordination between Internal Audit and Management, including the implementation, monitoring, evaluation and review of significant findings and recommendations by Internal Audit and Management's responses and implementation of action plans;
- Reviewing the external auditors' proposed annual audit scope, approach and fees to ensure proper coordination between external and internal auditors;
- Reviewing management requests for the provision of non-audit services to ensure that such services do not impair the independence of the auditors;
- Reviewing the adequacy of the internal control environment, including information and communications technology, security and control;
- Monitoring the implementation of the risk management framework and reviewing significant changes to the risk profiles of the OHSC;
- Providing regular feedback to the Board about the adequacy and effectiveness of risk mitigation and management in the OHSC, including recommendations for improvement;
- Appropriately addressing:
  - » financial reporting risks, including the risk of fraud;
  - » internal financial controls, and
  - » IT risks as they relate to financial reporting.
- Reviewing whether Management has considered legal and compliance risks as part of the OHSC risk assessments and effectiveness of the system for monitoring compliance, including Management's investigation and subsequent follow-up;
- Obtaining reports from management and the internal auditors and external auditors regarding compliance with all applicable legal and regulatory requirements and acting on them as appropriate;
- Reviewing the entity's compliance with the National Treasury Framework for managing programme performance information and reporting systems and acting on them as appropriate;
- Evaluating the appropriateness of accounting policies and practices and changes to these, as well as compliance with applicable accounting standards and legal requirements;
- Assessing whether the financial statements present a balanced and understandable assessment of the entity's financial position and performance and whether they are complete and consistent with prescribed accounting and information are known to Committee members and stated by Management to be accurate;
- Reviewing with Management and the external auditors the results of the external audit on financial statements, including any significant issues identified and acting on them as appropriate;
- Reviewing the Annual Report and related regulatory reports before release and considering the accuracy and completeness of the information; and
- Reviewing the "going concern" assumptions.

Table 22: Audit, Risk and Finance Committee members and meetings attended for the 2019/20 financial year

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	Number of meetings attended
****Mr AK Hoosain**	B Com Honours, CA(SA), Certificate in Forensic Accounting, and MBA	External	N/A	06/02/2020	N/A	3
Dr Adv M Peenze	Doctor Technologiae: Business Administration, Magister Legum: Human Rights, Baccalaureus Legum, Baccalaureus Iuris	External	N/A	06/02/2020	N/A	0
Dr M Sengwana	ND: General, Community and Psychiatry, ND: Critical Care Nursing Science, Masters in Public Health, Doctor of Philosophy	External	N/A	06/02/2020	N/A	0
Prof. KC Househam	MB ChB, MD, FCP SA (Paediatrics) DCH SA	External	N/A	06/02/2020	N/A	0
***Mr OMB Pharasi**	M. Pharm (Medical School, Sofia)	External	N/A	01/01/2017	N/A	3
***Ms S Barsel**	Certificate in Professional Coaching practice, Advanced Diploma in Adult Education and BA	External	N/A	29/05/2017	N/A	3
***Ms KS Mahlangu**	B Proc, LLB and MAP	External	N/A	29/05/2017	N/A	4

*** Term ended on 31 December 2019**
**** Reappointment**
 # Resigned

Compliance with laws and regulations

Adherence and compliance with applicable laws and regulations remain a Board responsibility. The OHSC is also governed by legislation other than its founding legislation, the NHA. As a Schedule 3A public entity, the OHSC is governed by the PFMA and National Treasury Regulations published under the PFMA and other legislative prescripts referred to above. Legislative compliance is an ongoing activity within the OHSC and monitoring of any non-compliance with legislative prescripts and reporting thereof for corrective action is the responsibility of every manager in the OHSC. A PFMA compliance checklist is used to monitor compliance with the PFMA. The checklist is part of Management's reporting responsibilities to the Board through its sub-committees, especially the ARFC.

Fraud and corruption

The Board has committed itself to combat all forms of fraud and corruption and remaining proactive in the fight against fraud and other "white collar" crimes. A Fraud Prevention Plan is in place to create awareness and teach employees how to report suspected cases of fraud and corruption. The Board is confident that the employees and stakeholders will use the reporting channels, including a fraud hotline, to report any suspected case of fraud and corruption.

The Fraud Prevention Plan consists of a system of internal controls to assist in preventing and detecting fraud and corruption. The system of internal controls includes, among others, creating a fraud awareness culture, developing policies and procedures, implementing a system for segregation of duties in business transactions, internal auditing, on-going risk assessment and a process for reporting and monitoring allegations of fraud and corruption. The Board, through the ARFC, regularly monitors and reviews business risk relating to fraud and corruption.

Minimising conflict of interest

The Board has a Board Charter in place and procedures to manage issues of conflict of interest (perceived, potential, or actual) to minimise if not prevent them. On an annual basis, Board members and OHSC Senior Management are required to disclose financial interests. The disclosures are meant to ensure that there is no conflict of interest when decisions are made by anyone within the OHSC governance structures.

Furthermore, at every OHSC Senior Management and Board meeting, members sign a register of a declaration of interests in any of the agenda items for discussion to identify any conflict and recuse themselves from the meeting during the discussion of the item of conflict.

Code of Conduct

The Board Charter includes a Code of Conduct for Board members. The Charter sets out, among others, the roles of the Board, Board Chairperson and individual Board members, governance of Board meetings, reporting responsibilities of the Board and communication of Board decisions. The Board Code of Conduct is based on the principles of honesty, integrity and ethical leadership and serves as a guide to Board members about protecting OHSC assets and information, as well as managing conflicts of interest.

The OHSC Code of Conduct for employees is premised on the same principles as that of the Board and guides employees in their interaction with one another and the public to ensure that the reputation of the OHSC is protected.

During the year under review, there were no reported cases of breach by Board members or employees of the respective Codes of Conduct and Ethics. Disciplinary steps are taken by the OHSC against any employee who breaches the Code. The Board decides whether a Board member in breach of the Code should be referred to the Minister for appropriate action in terms of the NHA.

Audit, Risk and Finance Committee Report

The Audit, Risk and Finance Committee (ARFC) is pleased to present its report for the financial year ended 31 March 2020.

ARFC responsibility

During the review period, the ARFC complied with its responsibilities in Section 51(1) (a) (ii) of the PFMA and Treasury Regulation 27.1, adopted appropriate formal Terms of Reference as its Charter, regulated its affairs in compliance with the Charter and discharged its responsibilities therein.

The effectiveness of internal control

The ARF conducted its review of the findings of the internal audit function, which was based on the risk assessments conducted in the OHSC. Internal audits were conducted on information technology, quarterly performance reports against pre-determined objectives, supply chain management and financial management. Control measures are being implemented to address the areas of weaknesses identified by the internal auditors. The ARFC will continue to monitor the implementation of the recommendations and internal control measures emanating from the internal audits.

In-year monitoring and quarterly reports

The OHSC submitted quarterly reports to the Executive Authority. The ARFC reviewed the reports and recommended them to the Board for approval. The Committee is satisfied with the reported progress by Management in implementing the plans and the achievements as at the end of the 2019/20 financial year. The Committee will continue to monitor and review the implementation of action plans to ensure that there is an improvement from the baseline set in the prior years of operations.

Evaluation of Annual Financial Statements

The ARFC reviewed the Annual Financial Statements prepared by the public entity before submission to the external auditors and were satisfied that the financial statements reflected all the disclosures required in terms of accounting policies and standards. The audit of the financial statements also confirmed that the financial statements submitted were prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (a) and (b) of the PFMA.

The outcome of the audit of the financial statements indicated the commitment to good governance, accountability, and continuous improvement, which build on the foundation that has been laid in prior years.

Chairperson
Audit, Risk and Finance Committee

PART D:

HUMAN RESOURCES MANAGEMENT

Acievements

Recruitment of staff

In order to ensure that the organisation has sufficient human resource capacity to fulfil its mandate, a rigorous recruitment drive to fill vacant and funded posts was embarked upon. As a result of this, of the 125 funded posts for the year under review, 115 posts were filled as at 31 March 2020, which represented 92%, against a target of 90%.

Certification of Inspectors

The OHSC founding legislation requires that the Inspectors who conduct inspections of health facilities for compliance with norms and standards, as part of their duties be certified upon completion of the training course approved by the OHSC. During the year under review, the Inspectors, Complaints Assessors and Investigators were certified following completion of the Inspector Training Programme conducted by the University of Fort Hare.

Employee Wellness and Health Risk Assessment programme

In order to ensure that the well-being of employees is taken care of, the Employee Wellness Programme was implemented. For purposes of ensuring effectiveness and confidentiality, the wellness programme was offered through an external service provider. As part of the Employee Wellness Programme, a health risk assessment of employees was conducted during the year under review. The health risk assessment included checking employees' blood pressure, glucose level, cholesterol level, as well as body mass index. Participation in this process was voluntary.

In addition to this, empowerment talks were conducted, and this included topics such as Anxiety and Depression, Conflict Management, Mental Health and Resilience.

Internship Programme

For the year under review, four Interns were appointed as at end of March 2020 in the internship programme on a 12-month internship programme. The purpose of the internship programme is to increase human resource capacity, as well as creating an opportunity for Interns to acquire the necessary workplace skills experience.

Training and development

Training forms an integral part in equipping employees with the necessary skills and knowledge to perform their work. To this end, a consolidated Workplace Skills Programme was developed based on employees training needs identified as part of performance management. The Workplace Skills Programme was implemented through short courses, workshops, conferences and seminars.

Performance Management

Performance management is an integral part of the OHSC towards the achievement of the organisational strategic objectives. For the year under review, the performance management system was implemented to recognise, appreciate and further encourage the employees to contribute in meeting organisational goals.

Review and Development of policies and procedures

Policies and procedures serve as a tool to enhance good human resources practices. To this end, a number of human resource policies were prioritised for review and development.

Challenges

Despite the strides made in so far as achievement of activities is concerned, there were also challenges that had to be confronted and such challenges included, amongst others, budgetary constraints which prohibited implementation of the full staff complement.

Human resource oversight statistics

Table 28: Personnel costs by Programme

Programme	Total expenditure	Personnel expenditure	Personnel expenditure as % of total expenditure	No of employees	Average personnel cost per employee
Office of the CEO	11 900 989	7 869 308	5%	8	983 663
Corporate Services	58 724 820	15 145 303	10%	21	721 205
Compliance Inspectorate	55 359 810	46 419 714	29%	60	773 662
Complaints management and Ombud	18 761 727	18 071 580	11%	17	1 063 034
Health Standards Design, Analysis and Support	13 509 942	9 873 737	6%	9	1 097 082
Total	**158 257 287**	**97 379 461**	**62%**	**115**	**846 779**

Table 29: Personnel costs by salary band

Level	Personnel Expenditure	Personnel expenditure as % of total expenditure	No of Employees	Average personnel cost per employee
Executive Management	8 225 178	8%	4	2 056 295
Senior Management	12 442 491	13%	9	1 382 499
Professionally qualified and experienced Specialist and mid-Management	26 166 382	27%	27	969 125
Skilled Technical and Academically Qualified workers, Junior management and supervisors	48 935 497	50%	69	709 210
Semi-skilled and Discretionary decision making	1 610 094	2%	6	268 349
Total	**97 379 641**	**100%**	**115**	**846 779**

Table 30: Performance rewards for the 2019/20 financial year

Level	Performance awards	Personnel expenditure	% of performance rewards to the total personnel cost
Executive management	79 015	8 225 178	0.08%
Senior management	112 934	12 442 491	0.12%
Professionally qualified and experienced specialist and mid-management	465 818	26 116 382	0.48%
Skilled technical and academically qualified workers, junior management and supervisors	448 749	48 935 497	0.46%
Semi-skilled and discretionary decision making	12 851	1 610 094	0.01%
Total	**1 118 730**	**97 379 641**	**1.15%**

Table 31: Training costs for the 2019/2020 financial year

Programme	Personnel expenditure	Training Expenditure	Training expenditure as percentage of personnel expenditure	Number of employees trained	Average training cost per employee
Training expenditure	**97 379 641**	**3 918 661**	**4%**	**114**	**34 374**

Table 32: Employment and vacancies by division

Programme	No. of employees 2018/19	No. of employees 2019/20	Approved posts 2019/2020	Employee vacancies 2019/20	% of vacancies
Administration	29	29	34	5	15%
Compliance Inspectorate, Certification and Enforcement	60	56	59	3	5%
Complaints Management and Ombud	18	19	20	1	5%
Health Standards Design, Analysis and Support	10	11	12	1	8%
TOTAL	**117**	**115**	**125**	**10**	**8%**

Table 33: Employment and vacancies by level

Level	No. of employees 2018/19	No. of employees 2019/20	Approved posts 2019/20	Employee vacancies 2019/20	% of vacancies
Executive management	5	4	5	1	20%
Senior management	12	9	13	4	31%
Professionally qualified and experienced specialists and mid management	25	27	27	-	0%
Skilled technical and academically qualified workers, junior management, and supervisors	52	55	56	1	2%
Semi-skilled and discretionary decision making	23	20	24	4	17%
Unskilled and defined decision making	-	-	-	-	
TOTAL	**117**	**115**	**125**	**10**	**8%**

Most of the vacant positions have been advertised and it is expected that the process of filling them will be concluded in the new financial year.

Table 34: Employment profile

Occupational category	Gender								TOTAL
	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Executive management	2	-	-		2			-	4
Senior management	4	-	1		3			1	9
Professionally qualified and experienced specialists and mid management	8	1	-		17			1	27
Skilled technical and academically qualified workers, junior management, and supervisors	11	-	-	1	43			-	55
Semi-skilled and discretionary decision making	6	-	-		13			1	20
Unskilled and defined decision making	-	-	-		-			-	0
TOTAL	**31**	**1**	**1**	**1**	**78**	**0**	**0**	**3**	**115**

Table 35: Employment changes and staff turnover during the 2019/20 financial year

Salary Band	Employment at beginning of period 1 April 2019	Appointments	Terminations	Employment at the end of period 31 March 2020
Executive management	4	-	-	4
Senior management	12	-	3	9
Professionally qualified and experienced specialists and mid management	27	2	2	27
Skilled technical and academically qualified workers, junior management and supervisors	51	7	3	55
Semi-skilled and discretionary decision making	21	1	2	20
Unskilled and defined decision making	-	-	-	-
TOTAL	**115**	**10**	**10**	**115**

Table 36: Termination of employment

Reason	Number	% of total no. of staff leaving
Death	-	0%
Resignation	8	80%
Dismissal	-	0%
Retirement	2	20%
Poor health	-	0%
Expiry of contract	-	0%
Transfers	-	0%
TOTAL	**10**	**100%**

*Number of employees terminated divided by the total number of termination multiplied by 100. The bulk of the employees left to further their respective careers in other organisations. OHSC will always strive to establish a harmonious work environment to retain and recruit more employees.

Labour relations: misconduct and disciplinary action during the review period

During the year under review, one employee when through a disciplinary process for misconduct and was not found guilty.

Table 37: Equity target and employment equity status: Males, Females and Disabled

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Executive management	2	2	-	-	-	-	-	-
Senior management	4	5	-	1	1		-	1
Professionally qualified and experienced specialists and mid management	8	8	1	1	-	-		
Skilled technical and academically qualified workers, junior management and supervisors	11	11		1	-	1	1	
Semi-skilled and discretionary decision making	6	7	-	1	-		-	1
Unskilled and defined decision making	-	-	-	-	-	-	-	-
TOTAL	**31**	**33**	**1**	**4**	**1**	**1**	**1**	**2**

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Executive management	2	2	-	1	-		-	-
Senior management	3	3	-		-	1	1	1
Professionally qualified and experienced specialists and mid management	17	17	-		-		1	1
Skilled technical and academically qualified workers, junior management and supervisors	43	43	-				-	1
Semi-skilled and discretionary decision making	13	13	-		-	1	1	1
Unskilled and defined decision making	-	-	-	-	-	-	-	-
TOTAL	**78**	**78**	**-**	**1**		**2**	**3**	**4**

Levels	DISABLED STAFF			
	MALE		FEMALE	
	Current	Target	Current	Target
Executive management	-	-	-	-
Senior management	-	-	-	-
Professionally qualified and experienced specialists and mid management	-	-	-	-
Skilled technical and academically qualified workers, junior management and supervisors	-		-	-
Semi-skilled and discretionary decision making	-	1	1	1
Unskilled and defined decision making	-	-	-	-
TOTAL	**-**	**1**	**1**	**1**

During the year under review, the emphasis was made in ensuring that the workforce composition is demographically representative with a focus on historically disadvantaged groups across key occupational categories.

PART E:

FINANCIAL INFORMATION

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE OFFICE OF HEALTH STANDARDS COMPLIANCE

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Office of Health Standards Compliance, set out on pages 72 to 100, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets and cash flow statement, and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of Health Standards Compliance as at 31 March 2020, and its financial performance and cash flows for the year then ended, in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of Grap) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the entity in accordance with sections 290 and 291 of the *Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes), as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority for the financial statements

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

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

Auditor-general's responsibilities for the audit of the financial statements

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

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof,

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE OFFICE OF HEALTH STANDARDS COMPLIANCE

I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators / measures included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2020:

Programmes	Pages in the annual performance report
Programme 3: complaints management and ombud	38 - 42

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

14. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

Programme 3: complaints management and ombud

Indicator: percentage of user complaints resolved within 30 working days through assessment or screening.

15. The achievement of 7,3% was reported against a target of 30% in the annual performance report. However, the supporting evidence provided did not agree with the reported achievement and indicated an achievement of 1,95%..

Other matters

16. I draw attention to the matters below.

Achievement of planned targets

17. Refer to the annual performance report on pages 29 to 48 for information on the achievement of planned targets for the year and explanations provided for the under- and overachievement of a number of targets.

Adjustment of material misstatements

18. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 3: complaints management and ombud. As management subsequently corrected only some of the misstatements, we raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

20. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

21. The accounting authority is responsible for the other information. The other information comprises the information included in

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE OFFICE OF HEALTH STANDARDS COMPLIANCE

the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

22. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

23. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

24. I have received the other information prior to the date of this auditor's report and based on the work I have performed; I have nothing to report in this regard.

Internal control deficiencies

25. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified conclusion.

26. Management did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

27. Leadership did not exercise oversight responsibility regarding performance reporting as well as the related internal controls.

Auditor - General

Pretoria

30 September 2020

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority

- conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors, which constitutes the accounting authority, in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the entity to cease operating as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Index

Accounting Authority's Responsibilities and Approval	73
Accounting Authority's Report	74
Statement of Financial Position	75
Statement of Financial Performance	76
Statement of Changes in Net Assets	77
Cash Flow Statement	78
Statement of Comparison of Budget and Actual Amounts	79 - 80
Accounting Policies	81 - 88
Notes to the Annual Financial Statements	89 - 100

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

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

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

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

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

The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements.

The Accounting Authority have reviewed the entity's cash flow forecast for the year to 31 March 2021 and, in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 74 to 100, which have been prepared on the going concern basis, were approved by the Accounting Authority on 29 September 2020 and were signed on its behalf by:

Dr. S Mndaweni
Chief Executive Officer

Dr. ME Kenoshi
Chairperson of the Board

ACCOUNTING AUTHORITY'S REPORT

The members submit their report for the year ended 31 March 2020.

1. Incorporation

The OHSC is a Schedule 3A Public Finance Management Act (Act 1 of 1999) public entity established in terms of the National Health Amendment Act, 12 of 2013. It commenced its operation on the 1st of April 2015 and its Executive Authority is the Minister of Health.

2. Review of activities

Main business and operations

The OHSC's mandate is to protect and promote the health and safety of users of health services by:

- Monitoring and enforcing compliance by health establishments with norms and standards prescribed by the Minister of Health in relation to the national health system; and

- Ensuring consideration, investigation and disposal of complaints relating to non-compliance with the prescribed norms and standards in a procedurally fair, economical and expeditious manner.

The OHSC recorded a deficit of (R10 389 141) and (R5 925 339) in the prior year. This was funded from prior year surpluses as approved by the National Treasury.

3. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We draw attention to the fact that as at 31 March 2020, the entity had accumulated surplus of R 50 841 560 and that the entity's total assets exceed its liabilities by R 50 841 560. The surplus arose largely due to the vacant positions at the end of the financial year, as well as the lease of office space which was not yet concluded towards the end of financial year.

4. Subsequent events

The Accounting Authority are not aware of any matter or circumstance arising since the end of the financial year that needs to be disclosed in the annual financial statements.

5. Accounting policies

The annual financial statements have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such statements issued by the Accounting Standard Board, as the prescribed framework by National Treasury.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

Figures in Rand	Note(s)	2020	2019
Assets			
Current Assets			
Receivables from exchange transactions	6	1 249 253	1 029 875
Receivables from non-exchange transactions	7	15 700	550 004
Cash and cash equivalents	8	42 730 004	51 952 692
		43 994 957	**53 532 571**
Non-Current Assets			
Property, plant and equipment	3	14 525 247	10 794 977
Intangible assets	4	5 498 599	7 146 462
		20 023 846	**17 941 439**
Total Assets		**64 018 803**	**71 474 010**
Liabilities			
Current Liabilities			
Operating lease liability	5	1 319 693	1 114 909
Payables from exchange transactions	10	4 598 042	3 062 936
Provisions	9	7 259 508	6 065 464
		13 177 243	**10 243 309**
Total Liabilities		**13 177 243**	**10 243 309**
Net Assets		**50 841 560**	**61 230 701**
Accumulated surplus		50 841 560	61 230 701

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2020	2019
Revenue			
Revenue from exchange transactions			
Interest received - investment	*12*	2 758 502	1 583 629
Other income		-	67 664
Total revenue from exchange transactions		**2 758 502**	**1 651 293**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	*13*	136 471 000	129 678 000
In-kind donation	*14*	4 437 075	-
Total revenue from non-exchange transactions		**140 908 075**	**129 678 000**
Total revenue	*11*	**143 666 577**	**131 329 293**
Expenditure			
Compensation of employees	*15*	(97 379 641)	(89 438 403)
Board fees and related costs	*30*	(2 104 342)	(2 519 610)
Depreciation and amortisation	*4 & 3*	(6 504 080)	(4 886 925)
Operating expenses	*16*	(48 067 654)	(40 409 694)
Total expenditure		**(154 055 717)**	**(137 254 632)**
(Deficit) for the year		**(10 389 141)**	**(5 925 339)**

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2018	**67 156 039**	**67 156 039**
Changes in net assets		
(Deficit) for the year	(5 925 338)	(5 925 338)
Total changes	**(5 925 338)**	**(5 925 338)**
Balance at 01 April 2019	**61 230 701**	**61 230 701**
Changes in net assets		
Deficit for the year	(10 389 141)	(10 389 141)
Total changes	**(10 389 141)**	**(10 389 141)**
Balance at 31 March 2020	**50 841 560**	**50 841 560**

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2020	2019
Cash flows from operating activities			
Receipts			
Grants		136 471 000	129 678 000
Interest income		2 758 502	1 583 629
Other income		-	67 664
		139 229 502	131 329 293
Payments			
Compensation of employees		(96 185 598)	(88 109 382)
Suppliers		(45 960 679)	(42 502 750)
Board payments		(2 104 342)	(2 447 665)
		(144 250 619)	(133 059 797)
Net cash flows from operating activities	*19*	**(5 021 117)**	**(1 730 504)**
Cash flows from investing activities			
Purchase of property, plant and equipment	*3*	(2 904 975)	(6 053 074)
Purchase of intangible assets	*4*	(1 296 596)	(2 141 443)
Net cash flows from investing activities		**(4 201 571)**	**(8 194 517)**
Net (decrease) in cash and cash equivalents		**(9 222 688)**	**(9 925 021)**
Cash and cash equivalents at the beginning of the year		51 952 692	61 877 713
Cash and cash equivalents at the end of the year	*8*	**42 730 004**	**51 952 692**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis						
Figures in Rand	**Approved budget**	**Adjustments**	**Final Budget**	**Actual amounts on comparable basis**	**Difference between final budget and actual**	**Reference**
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received - investment	-	-	-	2 758 502	2 758 502	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	136 471 000	-	136 471 000	136 471 000	-	
In-kind donation	-	-	-	4 437 075	4 437 075	
Total revenue from non-exchange transactions	**136 471 000**	**-**	**136 471 000**	**140 908 075**	**4 437 075**	
Total revenue	**136 471 000**	**-**	**136 471 000**	**143 666 577**	**7 195 577**	
Expenditure						
Compensation of employees	(92 513 061)	-	(92 513 061)	(97 379 641)	(4 866 580)	
Board fees and related costs	(1 769 705)	-	(1 769 705)	(2 104 342)	(334 637)	
Depreciation and amortisation	-	-	-	(6 504 080)	(6 504 080)	
Operating expenses	(37 907 302)	-	(37 907 302)	(48 067 655)	(10 160 353)	
Total expenditure	**(132 190 068)**	**-**	**(132 190 068)**	**(154 055 718)**	**(21 865 650)**	
Operating (deficit)/surplus	**4 280 932**	**-**	**4 280 932**	**(10 389 141)**	**(14 670 073)**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS - Continued

Budget on Cash Basis						
Figures in Rand	**Approved budget**	**Adjustments**	**Final Budget**	**Actual amounts on comparable basis**	**Difference between final budget and actual**	**Reference**
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	-	-	-	1 249 253	1 249 253	
Receivables from non-exchange transactions	-	-	-	15 700	15 700	
Cash and cash equivalents	-	-	-	42 730 004	42 730 004	
	-	**-**	**-**	**43 994 957**	**43 994 957**	
Non-Current Assets						
Property, plant and equipment	1 909 432	-	1 909 432	14 525 247	12 615 815	
Intangible assets	2 371 500	-	2 371 500	5 498 599	3 127 099	
	4 280 932	**-**	**4 280 932**	**20 023 846**	**15 742 914**	
Total Assets	**4 280 932**	**-**	**4 280 932**	**64 018 803**	**59 737 871**	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	-	1 319 693	1 319 693	
Payables from exchange transactions	-	-	-	4 598 042	4 598 042	
Provisions	-	-	-	7 259 508	7 259 508	
	-	**-**	**-**	**13 177 243**	**13 177 243**	
Total Liabilities	**-**	**-**	**-**	**13 177 243**	**13 177 243**	
Net Assets	**4 280 932**	**-**	**4 280 932**	**50 841 560**	**46 560 628**	

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 55 (1) (b) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, which have been applied in the preparation of these annual financial statements, are disclosed below.

The accounting policies are consistent with the previous years.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the OHSC.

1.2 Going concern assumption

The annual financial statements have been prepared based on a going concern basis and the Accounting Authority has no reason to believe that the entity will not be a going concern in the foreseeable future. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

1.3 Transfer of functions between entities under common control Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the entity recognises the assets transferred and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying values.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. However, no material differences are envisaged.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value - in - use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of property, plant and equipment and intangible assets.

Effective interest rate

The entity uses an appropriate interest rate taking into account guidance provided in the standard, and applying professional judgement to the specific circumstances to discount future cash flows. The entity uses the prime interest rate to discount future cash flows.

ACCOUNTING POLICIES

Areas where estimates were made are:

Provisions

Provisions were measured based on the probable estimated future cash outflows that may be needed to settle the obligation that may arise. Additional disclosures of these provisions are made in Note 9.

Depreciation and amortization

Depreciation and amortization amounts on property, plant and equipment, as well as intangible assets, were calculated based on the expected useful lives of the underlying assets. The estimation of the assets' useful lives is based on the management's judgement related to the expected assets condition at the end of the period of use. The estimates took into account the nature of the OHSC's business and how the assets will be utilised in the normal operations of the OHSC, including the impact of advancing technology.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Items of property, plant and equipment are derecognised when an asset is disposed of or when there are no further economic benefits or service potential expected from use of the asset. The gain or loss arising on the disposal of an asset is determined as the difference between the proceeds from the disposal and the carrying value of the assets, and is recognised in the statement of financial performance.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	10 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	5 years
Leasehold improvements	Straight line	Lease period

ACCOUNTING POLICIES

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Where the carrying amount of an item of intangible assets is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Item of intangible assets are derecognised when the asset is disposed of or when there are no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal of an asset is determined as the difference between the proceeds from the disposal and the carrying value of the assets, and is recognised in the statement of financial performance.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	5 years or license period

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Financial instruments

In the course of the OHSC operations it is exposed to interest rate, credit, liquidity and market risk. The risk management process relating to each of these risks is discussed under the headings below.

Credit risk

Financial assets which potentially subject the OHSC to the risk of non-performance by the counter-parties and hereby subject to credit concentrations of credit risk, consist mainly of cash and cash equivalents and receivable from exchange transactions.

The OHSC manages/limits its treasury counter-party exposure by only dealing with well established financial institutions approved by the National Treasury through the approval of the investment policy in terms of Treasury Regulations.

Market risk

The OHSC is exposed to fluctuations in the employment market, for example, sudden increases in events, unemployment and changes in the wage rates. No significant event occurred during the year that the OHSC is aware of.

ACCOUNTING POLICIES

Liquidity risk

The OHSC manages liquidity risk through proper management of working capital, capital expenditure and actual expenditure vs. forecasted cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

Fair values

The OHSC's financial instruments consists mainly of cash and cash equivalents. No financial instruments were carried at an amount in excess of its fair value and fair values could be measured for all financial instruments. The following methods and assumptions are used to determine the fair value of each class of financial instrument.

Investments

Investments consists of short-term deposits invested in registered commercial banks, and are measured at fair value. Interest on investment is calculated using the effective interest method and is recognised in the statement of financial performance as revenue from exchange transactions.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred or when substantially all risk and reward of ownership have been transferred.

Cash and cash equivalents

Cash and cash equivalents is made of cash on hand, cash held at banks and deposits with banks. The carrying amount of cash and cash equivalents approximates fair value.

Other receivables from exchange transactions

The carrying amount of other receivables from exchange transactions approximates fair values due to the relatively short-term maturity of these assets.

Trade and other receivables

Trade and other receivables are recognised as financial assets; loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus/deficit when there is an objective believe that the asset is impaired. Significant financial difficulties of the debtor, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured for all the debtors with an indication of impairment. Impairments are determined based on the risk profile of each debtor. Amounts that are receivable within 12 months from the reporting date are classified as current. The carrying amount of an asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance within the operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognised as recoveries in the statement of financial performance.

Trade and other payables

Financial liabilities consist of payables and borrowings. They are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method, which is the initial carrying amount, less repayments and, plus interest.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - » derecognises the asset; and
  - » recognise separately any rights and obligations created or retained in the transfer.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

ACCOUNTING POLICIES

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Tax

The OHSC is exempt from income tax in terms of section 10 (1) of the Income Tax Act No 58 of 1962.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

ACCOUNTING POLICIES

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they become due. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.11 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 21.

1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

1.13 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable. Revenue is recognised to the extent that is probable that the economic benefits will flow to the OHSC and revenue can be reliably measured. Revenue is measured at fair value of the consideration receivable on an accrual basis. Revenue includes investments and non-operating income exclusive of value added taxation, rebates and discounts.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Interest received

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.14 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the entity received revenue from another entity without giving approximately equal value in exchange. Revenue from non-exchange transaction is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Government grants

Government grant are recognised as revenue when:

- it is probable that the economic benefit or service potential associated with the transaction will flow to the entity,

ACCOUNTING POLICIES

- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

1.15 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a program or a main division within a program; and
- expenditure not in accordance with the purpose of a program or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonation is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.19 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/04/01 to 2020/03/31.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

ACCOUNTING POLICIES

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 29 and 31.

1.20 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

The following parties are deemed to be related parties of the OHSC:

- Controlling party - refers to the NDoH which the OHSC reports, and from where the OHSC receives its funding.
- This includes the Executive Authority of the NDoH.
- The Board of the OHSC - this refers to persons appointed by the Minister of Health in terms of section 79A, 79B and 79C of the National Health Amendment Act 2013. In this category are all the Committees of the Board as constituted by the Board from time to time.
- Key management personnel - this includes all persons having the authority and responsibility for planning, directing and controlling the operational activities of the entity. Such personnel include the Chief Executive Officer, Chief Financial Officer and other members of the Executive Management Committee.
- Close family members of key management personnel and Board members of the OHSC.
- In accordance with GRAP 20, as a minimum, the following shall be considered to be close family members:
  - » that person's children and spouse or domestic worker;
  - » children of that person or that person's spouse or domestic worker;
  - » dependants of that person or that person's spouse or domestic worker;
  - » a grandparent, grandchild, parent, brother, or sister; and
  - » a parent - in - law, brother - in - law sister - in - law.
- Entities under the same control - refers to public entities that are under the control of the NDoH, under which the OHSC reports.

1.21 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

1.22 Segment reporting

A segment is an activity of an entity:

(a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
(b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
(c) for which separate financial information is available.

The OHSC operates from one office located in Pretoria, South Africa.

1.23 Comparative figures

Where prior period accounting errors are identified in the current period, prior year comparative figures are restated restropectively to align to changes in the current period. The presentation and classification of both the prior period and current period are consistent, and the nature and the reason of the classification and/or restatement are disclosed in the annual financial statements.

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2020 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104: Financial Instruments	Not yet effective	Minimal impact

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

3. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Office equipment	2 966 698	(1 649 821)	1 316 877	2 237 807	(1 127 420)	1 110 387
Furniture and fixtures	6 281 095	(1 301 896)	4 979 199	1 994 956	(620 194)	1 374 762
Motor vehicles	1 537 148	(754 291)	782 857	1 537 148	(446 862)	1 090 286
Computer equipment	10 240 620	(3 712 250)	6 528 370	9 127 723	(1 908 181)	7 219 542
Leasehold improvements	1 102 255	(184 312)	917 944	843 777	(843 777)	-
Total	**22 127 816**	**(7 602 570)**	**14 525 247**	**15 741 411**	**(4 946 434)**	**10 794 977**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Office equipment	1 110 387	731 032	(6 710)	(517 831)	1 316 878
Furniture and fixtures	1 374 762	4 313 961	(3 917)	(705 607)	4 979 199
Motor vehicles	1 090 286	-	-	(307 430)	782 856
Computer equipment	7 219 542	1 194 802	(41 532)	(1 844 441)	6 528 371
Leasehold improvements	-	1 102 255	-	(184 311)	917 944
Total	**10 794 977**	**7 342 050**	**(52 159)**	**(3 559 620)**	**14 525 248**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Office equipment	1 454 841	39 374	-	(383 828)	1 110 387
Furniture and fixtures	1 560 620	8 490	-	(194 348)	1 374 762
Motor vehicles	1 397 715	-	-	(307 429)	1 090 286
Computer equipment	2 047 845	6 005 210	(19 403)	(814 110)	7 219 542
Total	**6 461 021**	**6 053 074**	**(19 403)**	**(1 699 715)**	**10 794 977**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

4. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	12 702 988	(7 204 388)	5 498 599	11 406 391	(4 259 929)	7 146 462

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	7 146 462	1 296 596	(2 944 459)	5 498 599

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	8 192 228	2 141 443	(3 187 209)	7 146 462

	2020	2019
5. Operating lease liability		
Current liabilities	(1 319 693)	(1 114 909)

This represents a difference between the actual lease payments and the straight - lined amount arising from the lease agreements.

6. Receivables from exchange transactions		
Deposits current	-	62 050
Prepaid expenses	1 249 253	967 825
	1 249 253	**1 029 875**
7. Receivables from non-exchange transactions		
Sundry debtors	15 700	550 004

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 688	139
Bank balances	20 416 876	25 292 032
Short-term deposits	22 310 440	26 660 521
	42 730 004	**51 952 692**

9. Provisions

Reconciliation of provisions - 2020

	Opening balance	Additions	Utilised during the year	Total
Provision for performance bonuses	1 287 330	1 387 696	(1 287 330)	1 387 696
Provision for leave	4 778 134	1 104 913	(11 235)	5 871 812
Total	**6 065 464**	**2 492 609**	**(1 298 565)**	**7 259 508**

Reconciliation of provisions - 2019

	Opening balance	Additions	Utilised during the year	Total
Provision for performance bonuses	1 187 422	1 287 330	(1 187 422)	1 287 330
Provision for leave	3 549 021	1 229 113	-	4 778 134
Total	**4 736 443**	**2 516 443**	**(1 187 422)**	**6 065 464**

Figures in Rand	2020	2019

10. Payables from exchange transactions

Trade payables	424 418	308 040
Accrued expenses	4 173 624	2 754 896
	4 598 042	**3 062 936**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019

11. Revenue

Other revenue	-	67 664
Interest received - investment	2 758 502	1 583 629
Government grants & subsidies	136 471 000	129 678 000
In-kind donation	4 437 075	-
	143 666 577	**131 329 293**

Other revenue consists of:

Proceeds from insurance claim	-	27 664
Award from Board of Healthcare Funders	-	40 000
	-	**67 664**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Transfer revenue		
Government grants & subsidies	136 471 000	129 678 000
In-kind donations	4 437 075	-
	140 908 075	**129 678 000**

12. Investment revenue

Interest revenue		
Bank	2 758 502	1 583 629

Interest from call investment account.

13. Government grants and subsidies

Operating grants		
Government grant	136 471 000	129 678 000

14. Donations

In-kind donations	4 437 075	-

The donation comprises of office furniture and equipment that was received from Mergence Africa Property Investment Trust as part of their community social investment activities

Figures in Rand	2020	2019

15. Compensation of employees

Basic salary	70 605 196	63 435 392
Service and performance bonuses paid	3 931 944	3 809 842
Medical aid - employer contributions	2 344 568	2 065 236
UIF- employer contribution	175 192	141 528
Workmen compensation fund	136 210	112 920
Leave paid and provided for	1 641 169	1 606 466
Pension-employer contribution	7 809 640	7 333 853
Other non-pensionable allowances	8 668 598	8 291 630
Bargaining council	3 425	3 222
Severance payments	320 484	650 246
Inconvenience allowance	355 520	700 740
Provision for performance bonuses	1 387 696	1 287 330
	97 379 642	**89 438 403**

16. Operating expenses

Advertising	226 268	620 482
Audit costs (refer to note 17)	1 473 523	1 058 841
Bank charges	71 467	69 174
Cleaning services	1 699 025	190 521
Consulting and professional fees	1 675 016	2 351 261
Inventory and other consumables	276 849	448 478
Legal fees	177 394	381 458
Insurance	300 356	398 374
IT maintenance and support	5 376 847	947 311
Marketing and publication costs	1 076 290	1 517 358
Motor vehicle expenses	198 271	93 836
Staff relocation	155 200	23 989
Postage and courier	8 540	15 087
Printing and stationery	705 495	639 014
Security	767 419	249 814
Subscriptions and membership fees	51 504	-
Telephone communication costs	1 468 629	1 362 352
Training and skills development	3 918 661	437 462
Travel, subsistence and accommodation (refer to note 32)	10 923 824	18 837 014
Office utensils	-	18 626
Water, electricity, rates and taxes	4 314 010	1 327 250
Repairs and maintenance	125 604	10 733
Catering services	72 952	194 304
Operating lease costs	10 696 211	7 152 604
Loss or theft of assets	52 159	19 403
Venues and facilities	2 256 140	2 044 948
	48 067 654	**40 409 694**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019

17. Audit costs

Internal audit	594 742	160 999
External audit	878 781	897 842
	1 473 523	**1 058 841**

18. Operating lease

18.1 Operating lease liability - Office space

Annual escalation rate	8%	
Future minimum lease payments		
Up to 1 year	11 360 747	11 360 747
Within two years to five years	29 348 595	40 709 342
	40 709 342	**52 070 089**

The OHSC had an outstanding commitment in respect of lease of office space with Mergence Africa Property Investment Trust. The lease agreement expires on the 31 October 2023.

18.2 Operating lease liability - Photocopying machine

Annual escalation rate	8%	
Future minimum lease payments		
Up to 1 year	200 184	46 430
2 - 5 years	122 954	-
	323 138	**46 430**

19. Cash used in operations

Deficit	(10 389 141)	(5 925 338)
Adjustments for:		
Depreciation and amortisation	6 504 080	4 886 925
Movements in operating lease liablities	204 783	811 809
Movements in provisions	1 194 044	1 329 021
Adjust for depreciation on assets lost	-	(13 044)
In-kind donation	(4 437 075)	-
Changes in working capital:		
Receivables from exchange transactions	534 306	(23 118)
Other receivables from non-exchange transactions	(221 422)	115 844
Payables from exchange transactions	1 537 149	(2 945 049)
Adjustment for cost of lost assets	52 159	32 446
	(5 021 117)	**(1 730 504)**

Figures in Rand	2020	2019

20. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	Total
Other receivables from non-exchange transactions	15 698	15 698
Cash and cash equivalents	42 730 004	42 730 004
	42 745 702	**42 745 702**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	4 594 441	4 594 441

2019

Financial assets

	At amortised cost	Total
Other receivables from non-exchange transactions	550 004	550 004
Cash and cash equivalents	51 952 692	51 952 692
	52 502 696	**52 502 696**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	3 062 936	3 062 936

21. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
Property, plant and equipment	-	1 244 647
Total capital commitments		
Already contracted for but not provided for	**-**	**1 244 647**

The above capital commitments were made by year-end, but the services will only be rendered after the end of the financial year.

Figures in Rand	2020	2019

22. Contingencies

There were no contingencies as at 31 March 2020.

23. Related parties

The OHSC has a related party relationship with the NDoH as the Executive Authority of the entity. It further has a related party transaction with Medical Research Council of South African through the lease of office space. The OHSC and the Medical Research Council of South Africa report under the same Executive Authority.

Related party transactions

Grant received		
National Department of Health	136 471 000	129 678 000
Reimbursement		
National Department of Health	11 224	756 358
Rental of office space		
South African Medical Research Council	151 536	3 128 982

Non-executive members - 2020	Board fees	Reimbursements	Total
Dr. L Simelane*	14 682	517	15 199
Dr. M Peenze*	14 682	-	14 682
Prof. S Whittaker **	88 089	5 351	93 440
Prof. E Stellenberg **	145 896	10 689	156 585
Prof K Househam*	14 682	-	14 682
Prof K Mfenyana*	7 341	-	7 341
Mr. A Hoosain	80 751	5 187	85 938
Dr. ME Kenoshi (Chairperson of the Board)*	18 588	-	18 588
Ms. O.A Montshiwa (Vice Chairperson of the Board)	181 383	13 433	194 816
Mr. B Pharasi**	129 837	9 544	139 381
Ms. K Mahlangu **	104 148	3 379	107 527
Prof. M Chetty	73 410	-	73 410
Ms S Barsel**	121 674	9 300	130 974
Total	**995 163**	**57 400**	**1 052 563**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

Non-executive members - 2019	Board fees	Reimbursements	Total
Prof. S Whittaker	139 159	5 968	145 127
Prof. E Stellenberg	189 661	13 707	203 368
Mr. A Hoosain	103 055	6 577	109 632
Dr. B Masuku	81 203	4 393	85 596
Ms. O.A Montshiwa (Acting/Deputy Chairperson of the Board) ***	204 663	10 499	215 162
Mr. B Pharasi	184 887	8 613	193 500
Ms. K Mahlangu	149 105	1 192	150 297
Prof. M Chetty	91 178	-	91 178
Ms. S Barsel	166 003	8 440	174 443
Total	**1 308 914**	**59 389**	**1 368 303**

*Appointed from 07 February 2020

** The board members term ended on 31 December 2020

*** Appointed from 01 January 2017

Executive Managers - 2020	Basic salary	Pension fund	Non-pensionable allowances and other payments	Service bonus and performance bonuses	Reimbursements	Total
Dr. S Mndaweni (Chief Executive Officer)	1 276 985	166 008	563 698	9 211	28 028	2 043 930
Prof. Makgoba (Ombud)	1 562 010	-	657 629	-	3 283	2 222 922
Mr. J Mapatha (Chief Financial Officer)	941 202	122 356	202 583	114 309	12 956	1 393 406
Ms. W Moleko (Executive Manager: HSDAS)	900 089	117 012	193 734	109 315	43 680	1 363 830
Ms. PM Montsho - Acting Executive Manager: Compliance Inspectorate	880 157	102 050	236 393	70 437	23 328	1 312 365
Total	**5 560 443**	**507 426**	**1 854 037**	**303 272**	**111 275**	**8 336 453**

Executive managers - 2019	Basic salary	Pension fund	Non-pensionable allowances and other payments	Service bonus and performance bonuses	Reimbursements	Total
Dr. S Mndaweni (Chief Executive Officer)	1 103 790	129 786	502 772	33 558	30 788	1 800 694
Prof. Makgoba (Ombud)	1 494 101	-	624 550	-	7 671	2 126 322
Mr. J Mapatha (Chief Financial Officer)	881 457	114 589	189 723	117 547	9 121	1 312 437
Ms. W Moleko (Executive Manager: HSDAS)	842 947	109 583	181 434	78 818	29 925	1 242 707
Mr. B Msibi (Executive Manager: Compliance Inspectorate)*	901 358	115 945	1 007 404	205 574	19 094	2 249 375
Total	**5 223 653**	**469 903**	**2 505 883**	**435 497**	**96 599**	**8 731 535**

* Resigned with effect from 31 March 2019. Included in the non pensionable allowances and other payments is an amount of R177 539.72 for leave payout and R650 245.50 for severance payment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

24. Risk management Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (interest rate risk, cash flow interest rate, credit risk and liquidity risk).

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through the Medium Term Expenditure Framework.

At 31 March 2020

	Less than 1 Year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Current liabilities	13 177 243	-	-	-

Credit risk

Credit risk consists mainly of cash deposits and cash equivalents. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Market risk

Interest rate risk

By the end of the financial year, the OHSC had significant cash invested in a short term investment account. The OHSC generally adopts an approach ensuring that its exposure to changes in interest rate is on a floating rate basis. The OHSC does not have any interest-bearing borrowings and as a result there is no adverse exposure relating to interest rate movements in borrowings.

25. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern and Accounting Authority has no reason to believe that the entity will not be a going concern in the foreseeable future.

This basis presumes that funds will be available to finance future operations and the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019

26. Events after the reporting date

The Accounting Authority are not aware of any matter of circumstance arising since the end of the financial year that needs to be disclosed in annual financial statements.

27. Fruitless and wasteful expenditure

Opening balance	13 475	120 975
Recovered amount	-	(3 000)
Condoned by the board during the year	-	(104 500)
	13 475	**13 475**

The fruitless and wasteful expenditure pertains to overpayment of leave credit. Payment arrangements have been made with concerned former employee.

28. Irregular expenditure

Opening balance	-	2 948 002
Less: Amounts condoned	-	(2 948 002)
	-	**-**

29. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net deficit per the statement of financial performance	(10 389 141)	(5 925 338)
Adjusted for:		
(Over)/under collection	(2 758 502)	(1 651 293)
Over/(under) budget expenditure	21 865 650	10 420 918
(over)/under collection of in-kind donation	(4 437 075)	-
Net surplus per approved budget	**4 280 932**	**2 844 287**

30. Board fees and related expenses

Board fees and reimbursements	1 052 563	1 368 303
Other expenditures	1 051 779	1 151 307
	2 104 342	**2 519 610**

Figures in Rand	2020	2019

31. Budget differences

Material differences between budget and actual amounts

Compensation of employees

- The cost for compensation of employees includes the thirteen (13) environmental health practitioners, as well as ten (10) contract workers who were funded from the approved surplus retained from the 2018/19 financial year.

Goods and services

- The major contributors to the over expenditure were the following:
  - » Travelling and accommodation costs incurred during inspections of health establishments which were funded from the surplus retained in the 2018/19 financial year.
  - » Training and development costs in respect of inspectors funded from commitments incurred in the 2018/19 financial year.
  - » Venues and facilities for country-wide consultative sessions funded from commitments incurred in the 2018/19 financial year.
  - » With the move to the new office premises, the cost of water, electricity and rates and taxes increased.
  - » These were funded from interest raised on investment.
  - » The move to the new office premises necessitated the implementation of ICT infrastructure and related costs for maintenance and support, which were funded from commitments and surplus incurred in the 2018/19 financial year.

Capital expenditure

- During the year under review, the OHSC moved to new office space. This necessitated the implementation of the requisite information technology infrastructure improvements to enable the functioning of the Office. Some of the costs thereof were classified as leasehold improvements funded from commitments and surplus incurred in the 2018/19 financial year.

32. Travel, Subsistence and accommodation

Travel	2 913 595	5 165 019
Accomodation	6 555 083	11 329 979
Subsistence	1 455 146	2 342 016
	10 923 824	**18 837 014**

33. Segment information

As per the strategic plan and annual performance plan, the OHSC is structured around its core mandate as stipulated in the National Health Act,2003. The objects of the OHSC are to protect and promote the health and safety of users of health services, by monitoring and enforcing compliance by health establishments with prescribed norms and standards, as well as ensuring consideration and disposal of complaints relating to non-compliance with norms and standards. As a result, all financial resources and risks are allocated to the OHSC as a whole to deliver on the core mandate of the OHSC.

Although the OHSC, through its mandate, renders a service to the entire Republic of South Africa, it operates from a single location based in Pretoria, South Africa. It is against this background that management considers the entity as a single segment, whose financial results and position have been adequately disclosed in the annual financial statements.

Telephone:
012 942 7700

Physical Address:
Office of Health Standards Compliance
79 Steve Biko Road
Prinshof
Pretoria

Postal Address:
OHSC
Private Bag X21
Arcadia, 0007

Website:
www.ohsc.org.za

ISBN: 978-0-620-90156-7