

INTRODUCTION

Improving health systems governance has been recognised as a critical element for strengthening health systems and accountability in the health sector alongside financial, human and technical availability of resources. The aim of this study is to explore governance and leadership in the Eastern Cape Department of Health (ECDoH) through the use of audit findings from the Office of the Auditor General South Africa (AGSA) covering the electoral periods from 2005/6 to 2014/15 as a primary source of information. This is crucial to understanding how the ECDoH has come to preside over what has been characterised as a dysfunctional public health system which has limped from one crisis to another over the years. Crucially, successive reports from the AGSA show that this department has battled with correcting negative external audit findings over the years. Audit analysis has been employed as the primary research method for the study, with other supplementary sources of information used in the form of oversight institution reports and key informant interviews.

THE AUDITOR GENERAL SOUTH AFRICA

The work of the office of the Auditor General South Africa (AGSA) derives its mandate from Sections 181 and 188 of Chapter 9 of the South African Constitution. The Auditor General must “audit and report on the accounts, financial statements and financial management” of the state. Critically, the AGSA role is to promote principles of good governance through accountability so as to enhance public sector good governance and effective service delivery.

ANALYSIS OF AUDIT FINDINGS

Box 1 below depicts the typology of audit opinions that can be expressed by the AGSA which range from the worst result being the 'disclaimer of audit opinion' to the 'clean audit' representing the best outcome.

Box 1: Typology of Audit Opinions by Auditor General South Africa

- Clean Audit**
 The financial statements are free from material misstatements (in other words, a financially unqualified audit opinion) and there are no material findings on reporting on performance objectives or non-compliance with legislation.
- Unqualified Audit Opinion with findings**
 The financial statements contain no material misstatements. Unless we express a clean audit outcome, findings have been raised on either reporting on predetermined objectives or non-compliance with legislation, or both these aspects.
- Qualified Audit Opinion**
 The financial statements contain material misstatements in specific amounts, or there is insufficient evidence for us to conclude that specific amounts included in the financial statements are not materially misstated.
- Adverse Audit Opinion**
 The financial statements contain material misstatements that are not confined to specific amounts, or the misstatements represent a substantial portion of the financial statements.
- Disclaimer of Audit Opinion**
 The auditee provided insufficient evidence in the form of documentation on which to base an audit opinion. The lack of sufficient evidence is not confined to specific amounts, or represents a substantial portion of the information contained in the financial statements.

Figure 1 below shows the overall audit opinions on the Eastern Cape Department of Health over two audit periods - from 2004/5 to 2008/9 and 2009/10 to 2013/14. It can be seen that the ECDoH has throughout the period failed to reach at the least the financially unqualified audit opinion or better still the clean audit opinion. It must be acknowledged though that from 2010/11 the ECDoH moved from 'disclaimer of opinion' to a qualified audit opinion within the period of analysis which it has since maintained.

Figure 1: Eastern Cape Department of Health Overall Audit Opinions from 2004/5 to 2013/14

Audit outcomes	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14
Clean Audit									
Financially Unqualified Audit Opinion:									
Qualified Audit Opinion									
Adverse Audit Opinion									
Disclaimer of Audit opinion									

Table 1 below summarises issues consistently raised in the audit reports by the AGSA over the ten-year study period. There have been material findings on the audit of financial statements which have resulted from insufficient oversight by the different role players in the assurance system as described within the audit reports. Similarly, there have been material findings on the audit of performance information resulting from a lack of dependable objectives, indicators and systems for capturing and reporting on performance. There have also been significant instances of non-compliance with legislation which has been found to be endemic within the ECDoH driven by poor to lack of supervision and ineffective oversight over a long period of time.

Table 1: Summary of Audit Findings from Analysis of Audit Reports

Focus of Audit	Key Findings	Key drivers
Audit of Financial Statements	Inadequacies in financial management systems, records and processes including unauthorised, irregular and fruitless and wasteful expenditure	Insufficient oversight of financial management, lack of adequate controls for supply chain management
Audit of Performance Information	Non-compliance with regulatory requirements Reported information not useful Reported information not reliable	Lack of dependable objectives, indicators and systems for capturing, auditing and reporting performance
Audit of Compliance with Legislation	Non-compliance with supply chain management, Financial Misconduct Material misstatements, Unauthorised, irregular and fruitless and wasteful expenditure, expenditure management, HR management, Strategic planning and performance management, failures to fulfil responsibilities by audit committee and internal Audit	Lack of monitoring and supervision, Disregard of legislation, Ineffective internal audit and audit committee oversight and lack of leadership

Figure 2 below shows the governance structure for the Eastern Cape department of Health as well as the effectiveness of each of the levels of governance. Evidence from analysis of the audit reports shows that over the years of analysis each of these levels has provided limited assurance or alternatively no assurance at all in the effectiveness of governance in each level.

Figure 3 below shows that the result of the failure of the three levels of assurance has been a deterioration of the totality of the governance systems and effectively functioning health system. This has further contributed to the decline of quality health services delivered to the public.

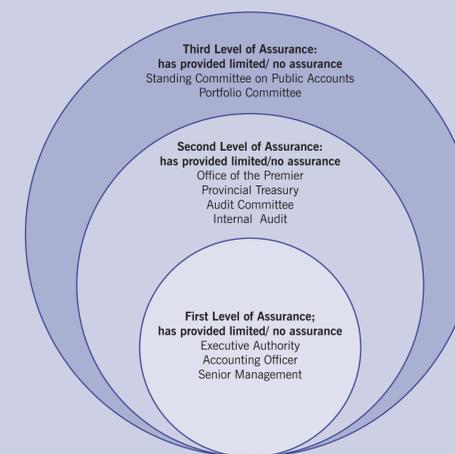


Figure 2: Eastern Cape Department of Health Governance Structure and its Effectiveness

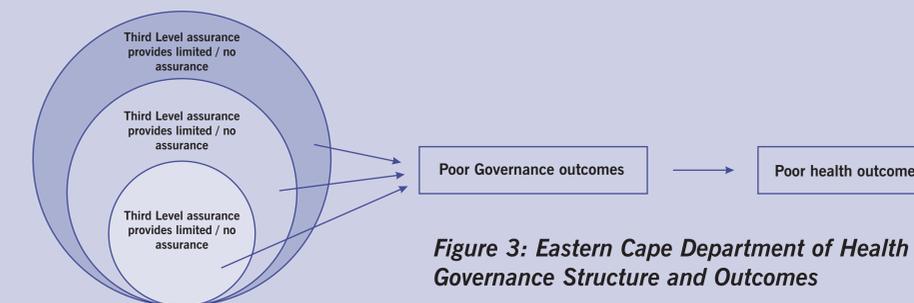


Figure 3: Eastern Cape Department of Health Governance Structure and Outcomes

CONCLUSIONS

The research made use of a tool of audit findings of the Auditor-General of South Africa to gain a better understanding of the challenges faced in the Eastern Cape Department of Health over the period of ten years covered in the research.

From the research carried out, the following outcomes have emerged:

- Governance and assurance institutions and mechanisms responsible for the Eastern Cape Department of Health have been ineffective.
- The result of the failure of the governance system has manifested itself in poor audit outcomes and the failure to maintain optimum levels of public health care delivery in the province and has hence increased the loss of confidence in the public health delivery system.
- Examples that have emanated from poor governance included the mismanagement of limited financial resources, poor human resources availability, poor health infrastructure delivery and outcomes, inadequate provision of and poorly maintained health equipment, inadequate to poor availability of medical supplies, high incidences of medico-legal costs incurred by the department, increased exposure and vulnerability of the department to cases of fraud and corruption.
- To turn this around, serious attention is needed to revamp and strengthen the entire governance system of the Eastern Cape responsible for achieving and maintaining positive audit outcomes. In addition to that, both the political and administrative leadership needs to take ownership and accountability for the success of this process.

The improvement of audit outcomes should not be viewed as an end in themselves, but rather that they should serve in part as a means of inspection of the state of governance as well as leadership within the ECDoH. Beyond that, these outcomes should be used as a means of strengthening the effectiveness and efficiency of the health system in the province through the primary mandate of the ECDoH, as well as sharpening the state's combined mechanisms of accountability in governance.

ACKNOWLEDGEMENTS

The PSAM would like to acknowledge with gratitude the financial support of the Open Society Foundations (OSF), the Open Society Foundation for South Africa (OSF-SA), Open Society Initiative for Southern Africa (OSISA), William and Flora Hewlett Foundation, and the Beit Trust.

REFERENCES

- Treatment Action Campaign and Section 27. 2013. Death and Dying in the Eastern Cape – An investigation into the collapse of a health system. Found in: <http://www.section27.org.za/wp-content/uploads/2013/09/SECTION27-report-redacted.pdf>
- Eastern Cape Health Crisis Action Coalition. 2013. Fix the Health System. Eastern Cape Health Crisis Action Coalition Memorandum. In Treatment Action Campaign and Section 27. 2013. Death and Dying in the Eastern Cape – An investigation into the collapse of a health system. Found in: <http://www.section27.org.za/wp-content/uploads/2013/09/SECTION27-report-redacted.pdf>
- Eastern Cape Department of Health Annual Reports 2005/6 to 2014/15
- The Constitution of South Africa, Act 108 of 1996