

Eastern Cape Department of Health

Performance Monitoring Report

2006/07

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Key Findings and Recommendations

Financial Management:

Finding: The Department was issued with an adverse audit opinion for 2006/07. This follows nine audit disclaimers in the past ten years, and many of the queries raised by the Auditor-General in the year under review have been repeatedly raised in the past.

Recommendation: The Department must prioritise addressing the queries raised by the Auditor-General and include detailed, time-bound and specific plans to do so in its strategic planning. Progress against these plans must be reported on in both the Department's in-year and year end reports. Action must be taken against officials responsible for the recurrent state of affairs.

Finding: The Department's internal control environment is inadequate. This has resulted in contravention of a number of financial management regulations. There was irregular and unauthorised spending and the Department's journal transactions were incomplete and inaccurate. Personnel records contained errors and were outdated and incomplete.

Recommendation: The Department must take steps to improve its financial management capacity to enable it to reduce its exposure to financial risk and possible loss and to ensure both compliance with relevant regulations and the effective spending

of available resources for improved service delivery. The Department must develop comprehensive and realistic plans to strengthen its internal control environment. Action must be taken against officials responsible for the ongoing weak financial management and numerous breaches identified by the Auditor-General.

Finding: The Audit Committee failed to evaluate monthly and quarterly reports, and adequately review the operation of the internal audit function and the internal control systems of the Department. The internal audit function failed to operate effectively, to conduct efficient risk management, and fully implement the internal audit plan. The Auditor-General stated that the audit work of the internal audit function could not be relied upon due to non-compliance with audit regulations.

Recommendation: The Department should take the necessary steps to ensure that both its Audit Committee and internal audit function perform effectively. The Audit Committee must, as a matter of urgency, insist upon receiving all in-year reports from the internal audit function and fulfil its oversight role by engaging with these documents and taking corrective action where necessary. Both the Audit Committee and the internal audit function should function effectively.

Finding: The Department's in-year reporting systems are inadequate and have led to the production of annual financial statements which are inaccurate and incomplete.

Recommendation: The Department must outline reporting and monitoring mechanisms in its strategic plans which will equip programme managers to produce accurate and relevant monthly and quarterly in-year reports. This will improve Departmental reporting and ensure the production of accurate annual financial statements. It will also position the Department to effectively track and report on its progress in implementing its various activities and on its overall expenditure and performance. The Department will then be able to institute timely corrective action on the emergence of problems.

Finding: The Department drew up an Audit Intervention Plan in conjunction with the provincial Treasury to ensure improved audit outcomes for the year under review. Funding was only received in the penultimate month of the financial year with implementation only commencing in the final month of the year, resulting in the plan having very little impact on the audit outcome.

Recommendation: The Department needs to closely monitor the implementation of the Audit Intervention Plan and include the most recent findings of the Auditor-General into a revised Plan.

Monitoring and Evaluation:

Finding: The Auditor-General found that "it was not possible to obtain reasonable assurance that the amounts disclosed in the annual financial statements of the Department are accurate and correct"¹ due to a lack of internal control and that "control deficiencies that have been repeatedly reported by this office since 1995, were still evident."²

¹ Eastern Cape Department of Health Annual Report, 2006/07, p.193

² Eastern Cape Department of Health Annual Report, 2005/06, p. 194. See also the Eastern Cape Department of Health Annual Report, 2003/04, p. 175.

Recommendation: The Department must draw up a comprehensive plan detailing how it will improve the performance of its various monitoring tools and the monitoring of the effectiveness and efficiency of service delivery in the Province, as well as its internal controls. Presumably the Audit Intervention Plan should be instrumental in this process and crucial towards ensuring that value for money is received and quality services are delivered.

Finding: The Department incurred R125 million in unauthorised expenditure with the Department contending that this was due to “insufficient budget”.³

Recommendation: The Department needs to address its weak financial management, as this will enable it to motivate for increased allocations provided funds are utilised in accordance with the regulatory framework. It is inappropriate to contend that unauthorised expenditure is the result of an inadequate budget. Until the Department can display an ability to use authorised funds for their intended purposes, it will be constrained in its ability to motivate effectively for increased budget allocations..

Finding: The Department has a stated bank overdraft of R513.6 million which will have to be settled by using the budget allocation for upcoming financial years.⁴ This will certainly impact negatively on people’s ability to access adequate healthcare.

Recommendation: The Department needs to motivate to the Provincial Treasury for a budget allocation that covers this excessive bank overdraft. The Department also needs to address its weak expenditure management to ensure that it does not under spend its budget allocation, but instead address its overdraft.

Finding: The Auditor-General declared that the extent of the Department’s fruitless and wasteful expenditure could not be accurately determined. Limited audit testing alone detected R616.802 in fruitless and wasteful expenditure.⁵

Recommendation: The Department must acknowledge this expenditure as a direct contravention of the PFMA. The Department needs to address such fruitless and wasteful expenditure and take corrective action against officials. The Department also needs to address the lack of internal controls within the Department.

In terms of Section 38 (a)(i) of the Public Finance Management Act No 1 of 1999, the department’s accounting officer must ensure that the department has an continues to maintain effective, efficient and transparent systems of financial and risk management and internal control. The following are areas of significant non-compliance and/or internal control weaknesses that were identified in the course of the audit:
Personnel;
Expenditure;
Assets;
Stock control;
Transfer payments;
Budget process;
Medical depots; and
Revenue.

³ Eastern Cape Department of Health Annual Report, 2006/07, p.188

⁴ Eastern Cape Department of Health Annual Report, 2006/07, p.200

⁵ Eastern Cape Department of Health Annual Report, 2006/07, p198

Human Resources:

Finding: Human Resource management in the Department was inadequate during 2006/07. The Department operated with a 34 percent overall vacancy rate, with higher vacancy rates in crucial skilled positions. The lack of personnel and skills impacted negatively on service delivery. The Department failed to attract new staff and registered a negative staffing growth rate. It had no effective recruitment and retention strategy in the year under review, with the Human Resource plan having been in draft format since 2004/05.

Recommendation: The Department must, as a matter of urgency, draw up and implement a comprehensive recruitment and retention strategy. It must conduct research into the key challenges in recruiting and retaining vital staff and plan accordingly. The draft Human Resource plan needs to be approved and implemented with urgency once consultation with all stakeholders has occurred. The Department will not be able to meet the commitments made in its strategic plans or deliver on its mandate if it does not address its staffing crisis.

Finding: Staff employed by the Department are often forced to work under difficult and dangerous conditions, with limited physical security and frequently in unsatisfactory working conditions. Such stresses contribute to the high attrition rate in the Department and make it difficult to attract and retain staff.

Recommendation: The Department must improve the work environment of its employees. The Department must provide adequate security for personnel, maintain appropriate standards of equipment and infrastructure and guarantee prompt remuneration to staff. ,.

Finding: The Department failed to outline in the 2006/07 Annual Report the number of vacancies in each of the Department's posts.

Recommendation: The Department needs to make these figures publicly available and must ensure that this information is included in the 2007/08 Annual Report. The Department must also ensure that all oversight bodies and planning units have access to this critical data so that the progress of the Department can be mapped and the Department can plan accordingly.

Finding: The Department spent 99.5 % of its 2006/07 personnel budget despite its 34% vacancy rate for the period.

Recommendation: The Department needs to track expenditure in this regard and must, in conjunction with the provincial Treasury, provide sufficient budget for the compensation of employees and filling of vacant posts...

Finding: The Department allocated R300 million for the payment of human resources backlogs. The Auditor-General found that it was not possible to tell through limited audit testing whether or not these backlogs were adequately addressed.

Recommendation: The Department needs to urgently address this backlog as this will result in lower turnover rates through the retention of staff due to improved working

conditions. The Department needs to track the expenditure of this allocation closely in the future and needs to ensure that no backlogs reoccur.

Finding: The Department spent an alarming R464.6 million on consultants in 2006/07. This expenditure was not adequately monitored to ensure quality service delivery.

Recommendation: The Department needs to limit its expenditure on consultants and instead ensure the training of health officials in the Department to ensure the sustainability of quality service delivery. The Department also needs to rigorously monitor the quality of the services delivered by private consultants.

Introduction

The South African Constitution commits government departments to the progressive realisation of socio-economic rights within available resources. These rights include the right to education, healthcare, housing and social security.⁶ The PSAM defines social accountability as the obligation by public officials and private service providers to justify their performance in progressively addressing the above rights via the provision of effective public services. In order to realise these rights, the PSAM maintains that effective accountability systems must be established and implemented by government departments. These systems include: planning and resource allocation; expenditure management; performance management; integrity; and, oversight. To evaluate the effectiveness of these systems, the PSAM has developed a set of evidence-based tools for monitoring the information produced annually by each system.

This Report reviews the performance management system of the Department of Health under review. It provides an account of the performance of the Department's internal audit function and the implementation of effective financial management and internal control systems necessary for the efficient use of public funds and delivery of public services. It also provides an analysis of key service delivery challenges faced and the quality of the Department's service delivery.

1. Internal Controls

Internal Controls⁷

It is the responsibility of the Accounting Officer of the Department of Health to ensure that the Department has effective, efficient and transparent systems of financial and risk management and internal controls so that available resources are used to the best possible effect in the progressive realisation of the right to health care.⁸ Internal controls are systems, processes or measures put in place by the Department to prevent the mismanagement, misuse and abuse of public resources. These processes are critical for both financial and performance management as they provide checks and balances, ensure reliable financial and performance reporting and avoid monetary loss through irregular, fruitless and wasteful expenditure.

The environment of internal control within the Department correlates directly with its performance: weak internal controls render the transparent and efficient delivery of services virtually impossible due to the myriad of opportunities it presents for financial mismanagement and fraud. A weak internal control environment also prevents the effective operation of internal monitoring, which is dependent on the production of

⁶ Constitution of the Republic of South Africa, Act 108 of 1996, Chapter 2, sections 27(1)(c), 27(2) and (3).

⁷ In terms of public finance regulations, all South African government departments are required to produce monthly and quarterly financial and performance reports to account for their in-year expenditure and performance in all programmes and sub-programmes. For examples see further section 32 (2) and (3) and section 40 of the Public Finance Management Act of 1999.

⁸

reliable and useful financial and performance reports to ensure that all assets are accounted for and protected against losses.⁹

For the year under review, the Auditor-General noted that the Department did not have adequate controls over the processing of manual journal transactions on the Basic Accounting System (BAS). The most significant shortcomings identified by the Auditor-General in this regard were¹⁰:

- Journals totalling R140.5 million were passed to reverse journals that had been incorrectly processed. This was due to the lack of understanding of journals by the officials responsible for compiling, reviewing, authorising and processing the journals as evidenced by the number of allocation errors found on journals.
- The majority of journals tested did not have adequate and appropriate documentation to support the transactions they represented and in many instances, no documentation was available at all. Requests to the Department for appropriate supporting documentation were not satisfied.
- Descriptions of the journals were in many cases too general or elusive to provide a proper understanding of the transactions that were recorded.
- A significant number of journals tested were not approved by a senior official who had the appropriate authority to approve them and in some cases the official who authorised the journals also processed them on the financial system, thus having little regard for the segregation of duties that should have existed..
- Journals were used to reallocate amounts that were correctly allocated in the first place. It was evident that at least R508.1 million of journals were necessitated by misallocated transactions that should not have occurred if the original source documentation had been subject to proper checking and reconciliation.

As a result these and other shortcomings, the Auditor-General concluded that “it was not possible to obtain reasonable assurance that the amounts disclosed in the annual financial statements of the Department are accurate and correct.”¹¹

Inadequate internal controls also resulted in the Department failing to comply with certain prescribed policies and procedures for the second year in a row,¹² as well as resulting in instances of unauthorised, irregular, fruitless or wasteful expenditure which contributed

⁹ The Department has a history of poor internal controls and displays the same weaknesses in the year under review, as noted by the Auditor-General in 2005/06. The Auditor-General noted that “control deficiencies that have been repeatedly reported by this office since 1995, were still evident.”⁹ In the same year, the audit committee states that “the disclaimer of opinion received from the Auditor-General [for 2005/06] continues to reflect that the department has not maintained effective, efficient and transparent systems of internal control.” Eastern Cape Department of Health Annual Report, 2005/06, p.170

¹⁰ Eastern Cape Department of Health Annual Report, 2006/07, p.193

¹¹ Eastern Cape Department of Health Annual Report, 2006/07, p.193

¹² Eastern Cape Department of Health Annual Report, 2005/06, p. 169 and Eastern Cape Department of Health Annual Report 2006/07, p.175

towards the Department receiving an adverse audit opinion.¹³ The Department's Audit Committee conceded that there were "significant weaknesses in the internal control environment" and that "the Department is experiencing some capacity constraints in terms of filling vacancies, and as a result the internal control environment is compromised."¹⁴

Irregular, unauthorised and fruitless and wasteful expenditure:

The Department reported R59.48 million in irregular expenditure for 2006/07. Of concern is the fact that there is no clarity on the relevant authority that condones irregular expenditure. Accordingly, the Department is currently developing a policy on how to manage this kind of expenditure in consultation with the Provincial Treasury and Auditor-General.¹⁵

The Auditor-General also noted the following:¹⁶

- Goods and services amounting to R89.5 million were not procured as a result of fair and error free process and there was also non-compliance with the Supply Chain Management procurement framework.
- Bid committee minutes and original bid documentation for bid awards to the value of R40.9 million by the provincial Department of Public Works could not be provided during the audit.
- A disclosure note in the annual financial statements reflected a nil balance for disciplinary steps taken/criminal proceedings under investigation. This note reflects a prior year balance of R36.1 million, which indicates that the prior year amounts have been settled, however, the Department was unable to provide any evidence thereof. It therefore appears that this amount has been understated for the current year.
- Virements increased compensation of employees and transfers and subsidies, resulting in additional irregular expenditure of R13 million.

In addition, the Department noted that it had incurred R125.11 million in unauthorised expenditure through Programmes 3, 4 and 8 due to an "insufficient budget".¹⁷ The Department's explanation is inadequate as no additional information is provided which would support such a claim. The Accounting Officer of the Department must account adequately for unauthorised expenditure¹⁸ in monthly reports to the Provincial Treasury and MEC.¹⁹ As will be covered in more detail below, the Department's Audit Committee

¹³ Eastern Cape Department of Health Annual Report, 2006/07, pp.198 – 202.

¹⁴ See Human Resource Management below. Eastern Cape Department of Health Annual Report 2006/07, p.175

¹⁵ Eastern Cape Department of Health Annual Report 2006/07, p.188

¹⁶ Eastern Cape Department of Health Annual Report 2006/07, p. 202

¹⁷ Eastern Cape Department of Health Annual Report 2006/07, p.188

¹⁸ Section 38(1)(g) of the Public Finance Management Act of 1999 read with Treasury Regulation 9.1. of Government Notice R225 of Government Gazette No 27388 dated 15 March 2005 as amended

¹⁹ Section 40(4) of the Public Finance Management Act of 1999

indicated that it was “not provided with these reports and accordingly is unable to express an opinion on the format, content and quality of these submissions.”²⁰

Overspending by the Department, indicated in particular through unauthorised expenditure, is particularly concerning given the fact that overspending in any given financial-year results in the Department incurring an overdraft, which is settled using money from the coming MTEF period. This jeopardises the Department’s ability to implement its plans with a reduced budget in the coming financial-years, hindering service delivery. The Auditor-General notes an overdraft of R440.7 million in 2005/06²¹ and in the year under review the bank overdraft was disclosed at R506.6 million. This overdraft was understated by R7 million and thus the total stands at R513.6 million.²² This certainly impacts on the ability of the Department to deliver effective services in the future. This is a disturbingly large amount and is equivalent to 6.97 percent of the Department’s entire budget allocation for 2006/07. Such an overdraft must attract equally alarming levels of interest charges for which the Department is unable to budget.

According to the Auditor-General the full extent of fruitless and wasteful expenditure is not known. However, fruitless and wasteful expenditure of R616.8 million was detected through limited audit testing. An additional amount of R130 000 which was identified by the Department during the year was not disclosed as fruitless and wasteful expenditure in the notes to the annual financial statements.²³

The Department reported that it had developed a Risk Management Strategy designed to manage risk at the points where most resources of the Department are directed.²⁴ However, the persistent ineffectiveness of internal controls in the Department is nothing new as oversight bodies have drawn yearly attention to significant deficiencies in this regard which continued to affect the Department during the year under review. A review of the Department’s Annual Report’s for the last five years provides ample evidence that internal control weaknesses have not been adequately addressed. The Department has formulated an Audit Intervention Plan to address queries raised by the Auditor-General in previous financial years. The Auditor-General noted however that “funding for this plan was only received in February 2007 and the plan was only implemented in March 2007. As a result this plan has had little impact on the audit for the year under review. The Department failed to address and follow up on a number of issues raised in the previous financial year, including further investigations which were recommended relating to irregular expenditure identified in the prior year.”²⁵

²⁰ Eastern Cape Department of Health Annual Report, 2006/07, p.176

²¹ Eastern Cape Department of Health Annual Report, 2005/06, p. 196.

²² Eastern Cape Department of Health Annual Report, 2006/07, p.200

²³ Eastern Cape Department of Health Annual Report, 2006/07, p.198

²⁴ Eastern Cape Department of Health Annual Report, 2006/07, p.188

²⁵ Eastern Cape Department of Health Annual report, 2006/07, p. 206

2. Reporting

Reporting²⁶

The Public Finance Management Act (PFMA) requires Departments to produce monthly and quarterly financial and performance reports monitoring and accounting for departmental in-year expenditure and programme and sub-programme performance. These reports constitute the basis of in-year monitoring frameworks and should contain data enabling the Department to undertake effective performance monitoring, evaluation and corrective action.²⁷ Because of the important role these reports play in managing the financial expenditure and performance of the Department and in facilitating the oversight process, it is critical that the reports are accurate and include data detailing performance against both the budget and measurable service delivery indicators.

The Audit Committee is responsible for reviewing the effectiveness of the internal audit function and internal control systems and for reviewing the Department's monthly and quarterly financial and performance reports, as well as the Department's compliance with legal and regulatory provisions.²⁸ During the year under review, however, and as noted above, the Audit Committee indicated that "the Committee was not provided with these reports and accordingly, is unable to express an opinion of the format, content and

²⁶ In order to make effective and economical use of scarce public resources, all South African government departments are required to establish an effective internal control environment which includes, inter alia, mechanisms to safeguard departmental assets, a reliable human resource management and performance system, and a cost-effective procurement and provisioning systems.

²⁷ Guide for Accounting Officers: Public Finance Management Act, National Treasury, Oct. 2000, Section 4 – Reporting and Accountability, at page 9 directs that departments must produce reports which can "be used by managers to develop plans, evaluate alternative courses of action and, where necessary, institute corrective action." Section 2 – Accountability Cycle, on page 11, states that "While the Act focuses on financial reporting, as financial data are leading indicators of performance, the accounting officer must also include non-financial indicators, which are produced quarterly. These non-financial indicators are often department or programme specific, and should be stipulated in the performance agreement between the accounting officer and executive authority, and endorsed by the portfolio committee in the relevant Legislature. The monthly monitoring reports will be consolidated and published in the National Government Gazette, inline with international best practice." See also Guide for Accounting Officers: Public Finance Management Act, National Treasury, Oct. 2000, Section 4 – Reporting and Accountability, p. 19

²⁸ In reporting on these in-year reports, the Audit Committee stated for the 2005/06 financial year that it "was informed by management that the monthly/quarterly in-year management reports were compiled and submitted timeously as required in terms of legislation" and that the Department met the National Treasury requirements for the submission of annual financial statements. While the Audit Committee is satisfied with the reports submitted, it undertakes no evaluation of their quality or completeness. Indeed, there is no indication that the Committee actually read the reports; the Committee appears merely to have been "informed" of their submission and compliance with regulations. By contrast, the Auditor-General, in the Department's 2005/06 Annual Report, draws attention to the poor quality of both the Department's reporting and monitoring and identifies the impact of this on the quality and reliability of the financial records and statements of the Department. Eastern Cape Department of Health Annual Report 2005/06, pp.171 & 184

quality of these submissions.”²⁹ The Department’s failure to provide such reports to the Audit Committee is inexcusable and effectively means that the Committee has not fulfilled its primary purpose. The Committee’s report fails to indicate what steps were taken during the year in order to try and secure such reports, nor does it document what reasons, if any, were given by the Department for its failure to comply with the PFMA and Treasury Regulations. In turn, the Accounting Officer’s report opts to avoid commenting directly on the effectiveness of the Audit Committee, presumably because the signatory is directly implicated in the unacceptable state of affairs.³⁰

There were also problems regarding the reporting of the Department on non-financial performance information for 2006/07 with the Auditor-General noting that such information was incomplete in respect of the performance of respective departmental programmes.³¹

Of further concern is that the Department failed to comply with the guidelines set out in the *Guideline for legislative oversight through Annual Reports* which stipulates that the Department must outline the number of vacancies per post.³² This information is absent from the 2006/07 Annual Report and is only available in the Department 2007/08-2009/10 draft Human Resources Plan which is not publicly available. This means that oversight bodies, such as the Auditor-General and Legislature Portfolio Committees, do not have access to this information and thus the Department cannot be effectively evaluated in this regard.³³

The Department also failed to report on its external constraints. Despite the fact that there are 56 cases of multi drug-resistant TB (MDR-TB) and an alarming 596 cases of extreme drug-resistant TB (XDR-TB) in the Eastern Cape in 2006/07,³⁴ the Department reported that “there were no significant developments that impacted on the Department’s operations.”³⁵ This lack of consideration for external challenges facing the Department will result in it not adequately planning to address such issues. This will negatively impact on people’s access to healthcare.

3. Internal Audit Function

²⁹ Eastern Cape Department of Health Annual Report 2006/07, p.176

³⁰ Eastern Cape Department of Health Annual Report 2006/07, p.189.

³¹ Eastern Cape Department of Health Annual report, 2006/07, p. 208 The Auditor-General also declared the Department to have failed to “adequately, continuously and effectively” monitor its activities in 2005/06. The ineffective operation of reporting systems and the accompanying lack of supervision has prevented the Department from ensuring that its financial and related systems operate effectively. This is likely to significantly and negatively impact the ability of the Department to deliver quality health care services and achieve the objectives set out in its strategic plan. Eastern Cape Department of Health Annual Report 2005/06, pp.186 & 189

³² National Treasury Guideline for Legislative Oversight through Annual Reports, p. 45

³³ See Human Resources Management section.

³⁴ Eastern Cape Department of Health Annual Report, 2006/07, p.8 and p.

³⁵ Eastern Cape Department of Health Annual Report, 2006/07, p.30

Internal Audit Function³⁶

The reporting system discussed above provides the basis for a monitoring framework in the Department. Engaging with this framework, the internal audit function should be able to identify potential risks in the expenditure of funds and management of departmental resources, as well as the implementation of the strategic plan.³⁷ The Audit Committee must evaluate the quality of the internal audit's findings and is required to alert departmental managers to identified weaknesses and risks and advise them on the effective running of Departmental programmes and activities. The internal audit is thus crucial in ensuring that risks are identified and addressed during the financial-year, avoiding the misuse of public funds and thereby contributing to efficient service delivery.

The role of the Audit Committee involves, among other things, the examination of the performance of the internal audit unit, reviewing the effectiveness of a Department's internal controls, monitoring management's response to identified weaknesses, evaluating the performance of management, and considering the quality of financial information produced by the Department.³⁸

The Department's Internal Audit Service was formally established in 2006/07 and a Chief Director was appointed to it.³⁹ According to the Department, the Risk Assurance Management Services Unit is currently co-sourced with Ernst & Young and LMD Africa Chartered Accountants Incorporated Consortium. The co-sourcing is being gradually phased out as the Department has filled 21 vacancies previously existing in the Risk Assurance Management Services Unit.⁴⁰ However, it was noted by the Audit Committee that the functioning of the Internal Audit Function was only "partially effective due to constraints within the internal audit unit."⁴¹

In the year under review, the Auditor-General criticized, for the sixth consecutive year, the Department's failure to institute a fully effective internal audit function and fulfil its various responsibilities (outlined above).⁴² For 2006/07, the Auditor-General noted that "the Audit Committee was not effective in fulfilling its mandate during the year under

³⁶ In terms of South African Finance regulations, all government departments are required to have an Internal Audit Unit and an Audit Committee. Internal Audit Units are required to continually evaluate the adequacy and effectiveness of a Department's internal controls, particularly in relation to the management of financial risk. An Audit Committee must review the effectiveness of the Internal Audit Unit and monitor management's response to weaknesses identified by this unit. Both play crucial internal monitoring functions designed to ensure the efficient use of public funds.

³⁷ Public Finance Management Act, 1999, Section 38 (1)(a)(ii). Internal audit units are required to have a three-year strategic plan and their objectives should be based on an assessment of key areas of risk for the Department concerned. See: Guide for Accounting Officers: Public Finance Management Act, National Treasury, Oct. 2000, Section 6 Corporate Management and Internal Controls, pp. 31-32.

³⁸ See: Guide for Accounting Officers: Public Finance Management Act, National Treasury, Oct. 2000, Section 6 Corporate Management and Internal Controls, pp. 32-34; Treasury Regulations, 2001, Section 3.2.

³⁹ Eastern Cape Department of Health Annual report, 2006/07, p. 179

⁴⁰ Eastern Cape Department of Health Annual report, 2006/07, p. 189

⁴¹ Eastern Cape Department of Health Annual Report, 2006/07, p. 207

⁴² Eastern Cape Department of Health Annual Report, 2005/06, p. 198.

review.”⁴³ It was further noted that although the Department had a risk management strategy and fraud prevention plan, these had not been rolled out and communicated to all employees. The Department had also failed to fully implement these plans for the year under review.⁴⁴

The Auditor-General also stated that there were irregularities with regard to the contract, invoices and amounts paid to the Audit Committee in 2006/07.⁴⁵ Furthermore, it was noted by the Auditor-General that the Audit Committee did not have a formal meeting from 25 October 2005 until 8 November 2006, a period in excess of a year.⁴⁶

In terms of the Internal Audit Function, the Auditor-General noted that reliance could not be placed on the audit work performed. This was due to this function not fully complying with the Institute of Internal Auditors Code of Ethics and Standards, the Public Finance Management Act, 1999 (Act No.1 of 1999), the internal audit charter and the annual internal audit plan.⁴⁷ The Auditor-General also emphasised the inadequacy of the reports issued by the internal audit function.⁴⁸ This state of affairs shows that despite the use of external consultants (who have been paid considerable sums of money to perform a departmental function⁴⁹) significant systemic problems remain which detract from the effective, efficient and economical use of public resources intended to improve healthcare.

4. Human Resource Management

Human Resource Management⁵⁰

In order to properly deliver on its mandate, the Department requires a well managed and fully capacitated staff complement. Personnel constitutes the largest portion of Departmental expenditure (comprising R3.88 billion or 52.86 percent of the Department's total budget allocation)⁵¹. It is thus vital for effective service delivery and financial management that human resources function at full capacity and are properly managed in terms of both expenditure and performance. Staff shortages exacerbate spending difficulties faced by the Department as capacity constraints at various levels within the

⁴³ Eastern Cape Department of Health Annual Report, 2006/07, p. 207. In 2005/06, the Auditor-General identified a number of problems which the Audit Committee seem to have overlooked . For instance, the Audit Committee reported that it was “satisfied that the Department has a fraud prevention plan in place” and stated that the “plan has been launched in various districts” The Auditor-General noted with concern that this fraud prevention plan was not signed and that it was therefore “uncertain whether this fraud prevention plan has been approved and implemented.” Eastern Cape Department of Health Annual Report 2005/06, p.198

⁴⁴ Eastern Cape Department of Health Annual Report 2006/07, p. 206.

⁴⁵ Eastern Cape Department of Health Annual Report 2006/07, p. 207

⁴⁶ Eastern Cape Department of Health Annual Report 2006/07, p. 207

⁴⁷ Eastern Cape Department of Health Annual Report 2006/07, p. 207

⁴⁸ Eastern Cape Department of Health Annual Report 2006/07, p. 207

⁴⁹ See the Human Resources section.

⁵⁰ In order for a Department to fulfil its mandate, it requires a full staff complement and a performance management system to monitor the performance of its personnel versus its personnel expenditure.

⁵¹ Eastern Cape Department of Health Annual Report, 2006/07, p. 220

Department mitigate against proper financial budgeting, planning, monitoring and management. A lack of human resource capacity also inhibits the Department from properly implementing its plans and thus hinders effective service delivery and financial management.

Programme 1, Administration, is responsible for, amongst other things, the management of human resources. Given the importance of human resource capacity to the functioning of all programmes across the Department, Administration is a crucial programme.

Human Resource Management

In the year under review, the Department operated with a vacancy rate of 34 percent, with only 32 588⁵² of the 49 006 posts being filled.⁵³ For the 2006/07 financial year, the Department failed to provide a breakdown of vacancies by occupation. Instead it only outlined the number of posts for each occupation of the Department.⁵⁴ According to the National Treasury *Guideline for legislative oversight through Annual Reports*, oversight bodies should be able to answer what it is that the Department has done to fill key vacancies such as professional and senior management positions.⁵⁵ In this regard, the information provided in the 2006/07 Annual Report is meaningless to oversight bodies, as well as the Department itself, as it does not outline the number of posts that need to be filled.

However, this information is contained in the Department's (draft) Human Resources Plan for the period 2007/08. According to this document, the Department has alarmingly high vacancies in critical programmes such as the Administration Programme, with 708 of the 1274 (55.57 %) posts being vacant, the Emergency Medical Services Programme, with 849 of the 2148 posts (39.52 %) being vacant, and the District Health Services, where the highest number of posts in the Department are found having 8857 of the 25 785 posts vacant (34.35 %).⁵⁶

The draft Human Resources plan also indicates the following vacancies by occupational category for 2006/07:⁵⁷

Occupational Category	Filled Posts	Vacant Posts	Total	Vacancy Rate
Medical Specialist	173	265	438	60.50 %

⁵² Eastern Cape Department of Health Annual Report, 2006/07, p. 287

⁵³ Eastern Cape Department of Health Annual Report, 2006/07, p.15 and p. 291. According to the Department's 2005/06 Annual Report, the Health Administration Programme had a vacancy rate of 41.9 percent.⁵³ Throughout the Department, vacancy rates for 2005/06 by skills bracket were alarming: permanent, senior management staff had a 38.3 percent vacancy rate. Permanent highly skilled supervision staff had a vacancy rate of 48.9 percent and permanent highly skilled supervision staff had a vacancy rate of 37.2 percent. The serious shortage of all, but especially skilled, staff had a negative impact on the functioning of the Department and its ability to deliver on services. See the Standing Committee Minutes for 25 May 2005 for more

⁵⁴ Eastern Cape Department of Health Annual Report, 2006/07, pp. 293-297

⁵⁵ National Treasury Guideline for Legislative Oversight through Annual Reports, p. 45

⁵⁶ Eastern Cape Department of Health Human Resources Plan for the period 2007/08-2010/11, p. 41

⁵⁷ Eastern Cape Department of Health Human Resources Plan for the period 2007/08-2010/11, p. 49

Medical Officer	666	777	1443	53.85 %
Professional Nurse	7235	3453	10 688	32.31 %
Pharmacist	207	207	414	50.00 %
Dentist	42	51	93	54.84 %
Dietician	21	82	103	79.61 %
Social Worker	67	75	142	52.82 %
Radiographer	242	125	367	34.06 %
Psychologist	23	91	114	79.82 %
Occupational Therapist	24	81	105	77.14 %
Physiotherapist	50	92	142	64.79 %
Emergency Medical Officer	1111	1035	2146	48.23 %

The turnover rate of employees is also distressing: the Department appointed 4105 employees in the year under review, while 2841 employees left. This reflects a turnover rate of 9 percent for 2006/07.⁵⁸ This is, however, an improvement on the previous financial year when the Department appointed 2816 employees, but lost 2891.⁵⁹ The Department thus experienced a negative growth rate in 2005/06.⁶⁰ Of great concern is the high turnover rate in critical occupations such as dental practitioners (31.6 %), emergency services (10.5%), medical practitioners (39.3%), medical specialists (14.1%), and pharmacists (44.5%). Although the turnover rate for the post of professional nurse was only 6.7 percent, the Department employed 535 nurses, while 446 left.⁶¹ This is alarming, given the fact that the Department relies heavily on nurses for the delivery of healthcare services in the Province. In addition, it is important to note that the high turnover rate is not only in the areas of 'skilled' posts: there is, for example a turnover rate of 5.7 percent for the post of cleaner, with 378 new appointments and 259 people leaving the Department.⁶²

The Department's high vacancy rate places enormous strain on existing employees and the Department's ability to delivery services. The attrition rate of the Department is particularly serious, making filling vacant posts a greater challenge.

In the abridged Rapid Assessment Survey, commissioned by the Premier and completed in June 2006, it was highlighted that low levels of remuneration, lack of promotion opportunities, lack of doctors in rural areas contribute to health workers leaving the Department. It further stated that the Department "has to address the wide-spread despondency and frustration of nurses at provincial and municipal clinics". Other issues that were noted were that the "lack of security for clinic staff, especially in rural areas,

⁵⁸ Turnover rates show us the ratio of the number of workers that had to be replaced in a given time period to the average number of workers. Eastern Cape Department of Health Annual Report, 2006/07, p.300

⁵⁹ Eastern Cape Department of Health Annual Report, 2005/06, p. 297.

⁶⁰ The negative impact of this process is demonstrated by the fact that Programme 3, Emergency Medical Services, witnessed an increase in its vacancy rate from 33% to 49%. See: Standing Committee on Health minutes for 30 November 2005, 3. (1) (a). Also seriously concerning is the fact that the Department lost more Professional Nurses (542) than it appointed during the year (512). See: Eastern Cape Department of Health Annual Report, 2005/06, p. 302.

⁶¹ Eastern Cape Department of Health Annual Report, 2006/07, pp. 301-305

⁶² Eastern Cape Department of Health Annual Report, 2006/07, p. 301

needs attention” and that “more focused research aimed at attracting and retaining staff is strongly recommended”.⁶³

In the year under review, the Head of Department stated for the second year in a row that “recruitment and retention is still a challenge. Besides budget challenges, the recruitment of health professionals and managers in various areas is difficult.”⁶⁴

Recruitment and retention

The Department has in the past acknowledged the obstacles it faces in service delivery due to its capacity constraints;⁶⁵ however, it has again failed to demonstrate that these capacity constraints were sufficiently considered in its planning.

In the year under review, the Auditor-General noted that there was no finalised Human Resources Plan in place and that the plan was still in draft format, dating back to 2004/05 and had not been implemented.⁶⁶ The Public Service Regulations (Chapter 1, Part 1.1.1.D) require that the Department prepares a Human Resources Plan in order to achieve the strategic objectives of the Department.⁶⁷

According to the Department, the final draft of the Human Resources plan was finalised towards the end of 2005/06, but the plan could not be approved as “the National Department of Health made an indication that they were nearing the finalisation of the National Human Resources Plan that would act as a guide to all provincial Human Resources Plans”.⁶⁸

The fact that there is no Human Resources Plan in place is of concern given the fact that the Department is well aware of its human resource challenges. In providing an overview of the organisational environment for 2005/06, the Annual Report states that the Department encountered challenges in recruiting health professionals of all categories. The ‘brain drain’ was cited as problematic and responsible for creating a skills “vacuum”, especially in the district hospitals and complexes.⁶⁹ It was also stated that the “inability of the Department to recruit, firstly due to lack of funding and secondly, unavailability of the health professionals in the job market” aggravated this situation. The Department added that the “low salaries paid to health professionals, the unattractiveness of the rural (sic) and scarce skills allowance made it virtually impossible to fill the vacant posts in the health institutions”⁷⁰

⁶³ Rapid Eastern Cape Provincial Assessment of Service Delivery and Socio-Economic Survey, Prepared by the Fort Hare Institute of Social and Economic Research (FHISER), University of Fort Hare in partnership with Development Research Africa (DRA) and Take Note Trading, June 2006, p. 20

⁶⁴ Eastern Cape Department of Health Annual Report, 2006/07, p. 12 and Eastern Cape Department of Health Annual Report 2005/06, p. 13

⁶⁵ The Accounting Officer states that “the recruitment and retention of human resources remains a challenge for the province.” Eastern Cape Department of Health Annual Report, 2005/06, p. 13.

⁶⁶ Eastern Cape Department of Health Annual Report, 2006/07, p.204

⁶⁷ Eastern Cape Department of Health Human Resources Plan for the period 2007/08-2010/11, p.7

⁶⁸ Letter from Head of Department, Mr Lawrance Boya, to Lesley Odendal, Response to PSAM re: HR Plan, Eastern Cape Department of Health, 5 November 2007

⁶⁹ Eastern Cape Department of Health Annual Report, 2005/06, p. 27.

⁷⁰ Eastern Cape Department of Health Annual Report, 2005/06, p. 27.

However, these explanations for the human resources crisis facing the Department are inadequate. The Department has been made aware of these challenges to human resource management and advised to act to rectify them through repeated recommendations by the Standing Committee on Health and the findings of the Auditor-General. The Department must provide adequate justifications for its poor human resource management and include these in its Annual Report.

It is crucial that the Department take action to fill critical posts and retain senior personnel; its failure to effectively implement a recruitment and retention strategy is unacceptable, given the severe impact of high vacancy rates and skills deficits on the ability of the Department to function effectively and deliver health care.

Human resources expenditure

According to the Department of Health's 2006/07 Annual Report, the Department's total personnel cost was reported as R3.92 billion.⁷¹ Despite the fact that the Department operated with a vacancy rate of 34 percent, it spent 99.5 percent of its overall personnel budget, or R3.4 billion.⁷² This means that the existing funding that is being spent on a 66% staffing complement would not be sufficient if there were no vacancies. The result of this is that the Department does not have sufficient funds to recruit and appoint new staff members to fill vacant posts, which results in poor service delivery and overworked staff. This is illustrated in the fact that the Department spent R157.64 million (4.02 %) on overtime for employees in 2006/07.

In addition, Programme 1, Health Administration, spent 94.75 % of its adjusted appropriation for compensation of employees; Programme 2, District Health Services, overspent it this allocation by 1.45 %, Programme 3, Emergency Medical Services also overspent this allocation by 4.66 % and Programme 4, Provincial Hospital Services spent 97.83 %.⁷³ It is not clear, given the high vacancy rates throughout the Department, why the personnel-related spending is so high. The Department must provide an adequate explanation of expenditure for Compensation for employees; this should include an explanation of how this line item is budgeted for. For instance, does the Department budget to fill its vacancies? If this is the case, how is it that the budgets have been nearly entirely spent while vacancies have not been filled?

The Auditor-General identified a number of problems surrounding personnel related spending in the year under review. It was stated that the personnel and salary system had not been sufficiently updated to reflect certain staff movements. Paypoint managers did not always certify the payrolls to confirm that officials listed thereon were employed at the relevant paypoints. Of concern is that the Auditor-General pointed out that under the above circumstances, "it was not possible to confirm that the amount for the compensation of employees of R3.8 billion...is accurate and complete."⁷⁴ A lack of capacity clearly impacts the Department's ability to manage its finances.

The Department was also allocated an additional R300 million for the payment of human resources backlogs in respect of arrear basic salaries, fixed overtime, housing

⁷¹ Eastern Cape Department of Health Annual Report, 2006/07, p. 289

⁷² Eastern Cape Department of Health Annual Report, 2006/07, p. 289

⁷³ Eastern Cape Department of Health Annual Report, 2006/07, pp. 289 and 223-237

⁷⁴ Eastern Cape Department of Health Annual Report, 2006/07, p.194

allowances, leave gratuities, rural allowances, scarce skills allowances, second and third notch adjustments, long service awards and other long outstanding amounts owed by the Department. The Auditor-General stated that “it was not possible, even by alternative audit procedures, to determine the actual amount spent by the Department in respect of these backlogs or whether the amounts paid out were in terms of the outstanding obligations for which these funds were made available. Audit tests revealed that during the financial year, R32 million of these amounts were used to pay current compensation costs rather than backlog payments.”⁷⁵

Training and the use of consultants

Given the capacity constraints faced by the Department, the need, in addition to recruiting new personnel, to properly train health professionals and employees in the province is great. All funds allocated to this important purpose should be efficiently spent.

Due to the lack of capacity, the Department relies to a significant extent on contracted external expertise to fulfil its mandate. This reliance should preferably be a temporary means of meeting the skills shortage in the Department; the Department must plan to fully staff and capacitate itself to deliver on its mandate for health care service delivery. Over the last four years and five months the Department has spent R49.84 million on consultants.⁷⁶ The Department thus spent more money paying external contractors to fulfil its responsibilities than on capacitating its personnel to perform these functions. The Head of Department, Mr Lawrance Boya, stated that for 2006/07, 9 752 employees underwent training, of whom 6 908 (78%) were women.⁷⁷

The Auditor-General noted that R464.6 million in payments were made to consultants, contractors and special services. Audit testing revealed that the Department did not adequately monitor contracts to ensure the performance of consultants and contractors were in accordance with the terms of the service level agreements.⁷⁸

While the high vacancy rate necessitates the use of extra-departmental assistance, it is imperative that the Department prioritise the training of its own staff. Over-reliance upon consultants is not sustainable or cost-effective.

Performance Management

The effective management of human resources includes expenditure as well as performance management. The drafting and signing of performance agreements and regular appraisals of staff performance against these agreements are necessary for such performance management. Performance rewards and salary increases should be related to performance, and measured in terms of the performance targets and commitments agreed to in the performance agreements.

The Department reported in the year under review that it had placed “great emphasis on promoting and implementing its Performance Management and Development System

⁷⁵ Eastern Cape Department of Health Annual Report, 2006/07, p.194

⁷⁶ Eastern Cape Department of Health Annual Report, 2006/07, p.344

⁷⁷ Eastern Cape Department of Health Annual Report, 2006/07, p.10

⁷⁸ Eastern Cape Department of Health Annual Report, 2006/07, p. 195. Numerous other issues regarding the use of consultants were raised by the Auditor-General. See pp 195-7

(PMDS) at all levels throughout the Province”.⁷⁹ However, only 17 327 (55%) of all employees had signed performance agreements, of which a total of 16 536 were evaluated, resulting in R15.24 million in performance incentives for 2005/06 being paid to date.⁸⁰

5. Monitoring of Service Delivery

The Department of Health delivers its services primarily through three main streams, namely Corporate and Information Technology Services (Programme 1), District Health (Programme 2) and Provincial Health Services (Programme 4). Programme 2 operates to ensure the delivery of primary health services through the implementation of the District Health System. Programme 4 exists to provide cost effective, good quality, high level specialised services to the people of the Eastern Cape Province. The remaining programmes offer necessary support in delivering health care.⁸¹

In terms of section 38(1) (b) of the PFMA, the Accounting Officer is responsible for the “effective, efficient, economical and transparent use of the resources of the Department”. The Accounting Officer must include in the Annual Report “information about the institution’s efficiency, economy and effectiveness in delivering programmes and achieving its objectives and outcomes against the measures and indicators set out in any strategic plan for the year under consideration.”⁸² In order to fulfil this reporting requirement, it is clear that the Department must monitor its service delivery in terms of efficiency and economy.

The Department has a number of monitoring tools in place which enable it to evaluate and act on the performance information it receives through monthly, quarterly and ad hoc reports. Each of these tools should operate effectively to enable the Department to efficiently monitor its performance and ensure the efficiency and effectiveness of service delivery. The effectiveness of the Department’s monitoring of its service delivery can be assessed by evaluating the operation of the various monitoring tools of the Department.

The Department reported that quality service delivery was promoted through the following:

1. Quality Assurance Teams were established in all institutions. These teams sat on a monthly basis and were coordinated and chaired by an appointed Quality Assurance Coordinator.
2. Quality audits inclusive of client satisfaction, patient waiting times and clinical audits were done twice a year in line with the national policies.
3. In all Psychiatric Hospitals quality assurance teams were established and coordinators identified.⁸³

⁷⁹ Eastern Cape Department of Health Annual Report, 2006/07, p.10

⁸⁰ Eastern Cape Department of Health Annual Report, 2006/07, p.10

⁸¹ Eastern Cape Department of Health Annual Report, 2005/06, p. 20.

Eastern Cape Department of Health Annual Report, 2005/06, p.177.

⁸² Treasury Regulations, 2005, regulation 18.3.1(b)

⁸³ Eastern Cape Department of Health Annual Report, 2006/07, p.11

According to the Department, expenditure was monitored through monthly in-year monitoring which served as the primary tool to conduct financial checks and balances regarding the utilisation of the budget. In addition to this, the Budget and Expenditure Committee, which was chaired by the Accounting Officer, served as a mechanism to allow General and Programme Managers to account on the potential over and under expenditure.⁸⁴

However, the Auditor-General noted numerous problems relating to the Department's ability to effectively monitor the performance and expenditure of the Department. For example, it was noted that "due to the ineffective monitoring and review over compliance with the requirements of the conditions of the grants...it was not, even through alternative procedures, possible to confirm that the conditional grants that were received by the Department were used by the Department for their intended purposes."⁸⁵ This was repeated for the transfer payments of the Department, where for example it was noted that R68.3 million (23.7%) did not satisfy the definition of a transfer payment, but was rather expenditure paid to suppliers for goods and services.⁸⁶

The Auditor-General also stressed that there were inadequate mechanisms in place to monitor and review operations and programmes as evidenced by a lack of review by senior officials, pre-audit failing carry out their duties effectively and an ineffective audit committee and internal audit function within the Department. It was further stated that the "internal audit function did not adequately review the Department's activities and systems and failed to provide practical information, analyses, appraisals and recommendations to management."⁸⁷

The Health Administration programme houses the Monitoring and Evaluation sub-programme and the Quality Health Care Assurance Chief Directorate. This programme operates with an overall vacancy rate of 55.57 percent.⁸⁸ This vacancy rate clearly detracted from the Department's ability to successfully fulfil its entire mandate, including those of the above mentioned units. This contributed in part to the poor performance of the Department in monitoring its own performance in the year under review. The Department claims that the priorities for the Monitoring and Evaluation (M&E) Directorate thus far were to ensure 100% staffing of the unit by 2007/08, that M&E structures were institutionalised at both provincial and district having as well as having M&E activities in the Province.⁸⁹ However, the percentage of staff only increased from 12.5 % to 50 % by the end of 2006/07 in the M&E organogram.⁹⁰

In terms of the use of consultants, the Auditor-General noted that in audit testing it was revealed that an amount of R464.6 million that related to payments made to consultants, contractors and special services, was not adequately monitored and that contracts were also not monitored to ensure that the performance of consultants and contractors were in accordance with the terms of the service level agreements.⁹¹

⁸⁴ Eastern Cape Department of Health Annual Report, 2006/07, p. 33

⁸⁵ Eastern Cape Department of Health Annual Report, 2006/07, p. 203

⁸⁶ Eastern Cape Department of Health Annual Report, 2006/07, p. 197

⁸⁷ Eastern Cape Department of Health Annual Report, 2006/07, p. 205

⁸⁸ Eastern Cape Department of Health draft Human resources Plan for the period 2007/08-2010/11, p. 41

⁸⁹ Eastern Cape Department of Health Annual Report, 2006/07, p. 77

⁹⁰ Eastern Cape Department of Health Annual Report, 2006/07, p. 79

⁹¹ Eastern Cape Department of Health Annual Report, 2006/07, p.195

It is thus apparent that the Department's monitoring of its own performance is inadequate. The Auditor-General and the Standing Committee on Health have drawn similar conclusions and made a number of findings which demonstrate the inadequacy of the Departmental system of monitoring. The Auditor-General stated in his report that: "The activities of the Department are not adequately, continuously and effectively monitored and supervised by management. This lack of continuous and effective monitoring and supervision has impacted on the extent to which the department is able to ensure financial and related systems operate effectively."⁹² At times this has resulted in the inefficient delivery of services and fruitless and wasteful expenditure.

6. Quality of Service Delivery Outcomes

The Department of Health has received nine audit disclaimers in the past ten financial years and for the year under review the Department was issued with an adverse opinion from the Auditor-General. An audit disclaimer is the most severe opinion which the Auditor-General can issue, while an adverse opinion indicates that the effect is so material and pervasive that the Auditor-General concluded that a qualified opinion is inadequate to disclose the misleading or incomplete nature of the financial statements.⁹³ Audit disclaimer and adverse opinion typically indicate poor internal controls and financial mismanagement. As stated above, the poor monitoring and financial control, evidenced in under-, over-, unauthorised, irregular and fruitless and wasteful expenditure in the Department prevented the effective operation of many departmental activities and systems. This has resulted in poor service delivery.

Problematic human resource management has contributed to service delivery problems across the Department's various programmes.

Hospital Conditions:

The quality of health care services in the Province's hospitals was inadequately covered in the Department's Annual Report, but received extensive coverage in the media and was also identified by the Standing Committee on Health.

The following headlines appeared throughout 2005/06:

- "Shocking lack of care at Dora" (The Herald, 9 March 2005)
- "Baby dies in 'filthy, appalling' hospital (The Herald, 21 March 2005)
- "Death of babies in hospitals cause for concern" (The Herald, 2 June 2005)
- "'Shocking situation' in E Cape hospitals: Damning AG report reveals health hazards and filthy facilities" (The Herald, 12 September 2005)
- "'Disgusting' state of hospitals puts lives at great risk" (Weekend Post, 17 September 2005)

⁹² Eastern Cape Department of Health Annual Report, 2005/06, p. 185.

⁹³ An adverse opinion is expressed when the effect of a disagreement with management regarding departures from the financial reporting framework. Audit disclaimers are issued where a department's records and supporting documentation are either unavailable for audit purposes, or are of such poor quality that no reasonable determination of the validity of financial transactions can be made.

- “Basic Hygiene lacking at run-down State hospitals” (The Herald, 10 November 2005)
- “No excuse for hospital’s filthy state” (The Herald, 22 November 2005)

In 2006/07, a number of newspaper articles reported on the poor infrastructure and services at hospitals. Examples include:

- “What is happening at Frere?” (Daily Dispatch, 4 April 2006)
- “Million meant to boost hospitals remain unspent” (The Herald, 3 May 2006)
- “Woman watched her sick friends dying” (The Herald, 7 June 2006)
- “Man dies as he could not pay R23 fee” (Daily Dispatch, 7 June 2006)
- “Staff leave Eastern Cape in droves” (Daily Dispatch, 11 July 2006)
- “Hospitals in Eastern Cape ‘are close to crisis point’” (The Herald, 28 July 2006)
- “Patient lê in dam bloed sonder hulp in hospitaal [Patient lies in dam of blood without help at hospital]” (Die Burger, 2 February 2007)
- “Casualty patients die in administration fiasco” (The Herald, 26 February 2007)

Saving Mothers, Saving Babies

Over and above the numerous problems pointed out regarding hospital services, there were also numerous reports of babies dying in Eastern Cape hospitals. (These preceded the furore surrounding the deaths of babies at Frere Hospital which unfolded in June 2007 after the financial year under review.⁹⁴)

- “Five-hour nightmare in Ward 17” (Daily Dispatch, 25 May 2006)
- “Baby death: why backup generators did not start” (Daily Dispatch, 26 May 2006)
- “Mother vows to sue over infants death” (The Herald, 30 May 2006)
- “Protest action continues at baby death hospital” (Daily Dispatch, 31 May 2006)
- “No payout for dead babies” (The Herald, 23 June 2006)
- “Minister says babies were already ‘sickly’” (Daily Dispatch, 5 July 2006)
- “Mother forced to look at dead baby and go home” (The Herald, 27 July 2006)
- “Swanger vrou verloor haar baba nadat sy ure moes wag [Pregnant woman loses her baby after she had to wait for hours]” (Die Burger, 3 February 2007)
- “I lay with dead baby for five hours” (The Herald, 28 July 2007)

ARV Rollout:

Despite the fact that the Department exceeded its 2006/07 Antiretroviral (ARV) rollout target by 1 382 patients, there were still 12 288 patients on the ARV waiting list in the HIV/AIDS sub-programme for 2006/07.⁹⁵ However there were numerous media reports which indicated that there were problems with this life-saving sub-programme, as well as the waiting list. These include:

- “Aids patients die as hospital battles ARV backlog” (Weekend Post, 15 April 2006)
- “Need for higher [ARV] targets” (The Herald, 27 April 2006)
- Eastern Cape patients denied key Aids drugs” (The Herald, 7 June 2006)

⁹⁴ For more on this, see <http://www.dispatch.co.za/Frere1.html>

⁹⁵ Eastern Cape Department of Health, HIV/AIDS and STI Business Plan 2007/08, p. 19

- Under spending, lack of ARVs and skills stokes Aids epidemic” (City Press, 28 January 2007)

All of the above occurred in the context of the Department claiming that for 2006/07, it did not face any external constraints that would impact on people’s ability to access healthcare.⁹⁶

From 2007 the PSAM will produce seven main outputs: 1. Budget Analysis; 2. Strategic Plan Evaluation; 3. Expenditure Tracking Report; 4. Performance Monitoring Report, 5. Accountability to Oversight Report, 6. Scorecard; 7. Integrity Systems Evaluation. Together, these publications provide a comprehensive overview of the performance of government service delivery departments in respect of their implementation of accountability and service delivery systems necessary to realise socio-economic rights to education, health care, housing and welfare. The Budget Analysis and Strategic Plan Evaluation are forward-looking research outputs, produced at the beginning of the financial year. These outputs analyse the likely impact of policy priorities, budget allocations and planned activities on each department’s ability to implement effective accountability and service delivery systems in the upcoming financial year. The remaining outputs are retrospective, and provide an analysis of each department’s actual performance in the previous financial year. The current outputs, and those which will be completed during the course of 2007, can be accessed via www.psam.org.za.

⁹⁶ Eastern Cape Department of Health Annual Report, 2006/07, p. 30