

Eastern Cape Department of Health

Expenditure Tracking Report

2008/09

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Findings And Recommendations

Finding: The Department under spent on its allocation for capital assets by 26 percent largely due to the fact that it spent only 32 percent of its budget for machinery and equipment across all programmes.

Recommendation: Machinery and equipment ranging from CT scanners and X-ray machines to beds and stethoscopes form an essential part of the Department's ability to provide a comprehensive package of care. Every effort should therefore be made to ensure that the resources available for the purchase of machinery and equipment are utilised efficiently and effectively.

Finding: A particularly troubling aspect of the Department's under expenditure on machinery and equipment is that it failed to spend the R50 million allocation for the purchase, upgrade and repair of emergency generators at health facilities across the Province.

Recommendation: This was an emergency allocation made at the beginning of the 2008/09 financial year in an effort to mitigate against power outages which have in the past resulted in deaths at facilities due to the failure of existing generators to kick in. The Department needs as a matter of urgency to fulfil its promise and ensure that all emergency backup generators are in working order.

Finding: During the 2008/09 financial year the Department overspent on its R5.9 billion allocation for the compensation of employees by R176 million or 3 percent after having received an additional R430 million in adjustments and virements during the year. The Department explains that this overspend was largely due to the impact of Occupational Specific Dispensation (OSD) payments to nurses exceeding projections.

Recommendation: This is the second year that overspending on this item has occurred because of the OSD. The Department as a matter of urgency needs to ensure that it rectifies problems with its projection models if it wishes to avoid overspending on this budget item.

Finding: A review of the Department's conditional grant expenditure reveals that the Department has under spent on three of its five grants. While the Department does provide plausible explanations for the under spend on the National Tertiary Services Grant and the Health Professionals Training and Development Grant (in both cases allocations will be rolled over into the next financial year for the completion of allocated tenders) it provides no explanation for under spending on the Hospital Revitalisation grant of R68 million or 23 percent.

Recommendation: Conditional grants are schedule 5 allocations made in accordance with the annual Division of Revenue Act and allocations are dependant on the Department showing that it has the capacity to deliver on detailed business plans attached to each grant. Poor spending performance on these grants means that the Department runs the risk of receiving lower allocations in future. The Department therefore needs to take corrective action to ensure that it delivers on what it has promised in its business plans.

Finding: A review of the expenditure for goods and services for the District Health Services Programme reveals that after receiving an initial allocation of R829 million, the Programme received an additional R298 million in the form of adjustments and virements for this item during the year. All this followed an initial decrease to this budget item of 14 percent in real terms at the beginning of the financial year. This clearly indicates that the Department did not budget appropriately for this item at the beginning of the year and in order to avoid significant over spending on this item had to shift funds from other areas. This shifting of funds undoubtedly places additional pressure on other areas of the Department's budget which in turn places additional pressure on its ability to deliver services in these areas. Unfortunately a review of allocations for 2009/10 reveals that this pattern may repeat itself during the course of the next financial year.

Recommendation: The Department must ensure that all items are adequately funded if it is to avoid placing unnecessary funding constraints on other items due to the shifting of funds through virements to make up for shortfalls in this area.

Finding: The Emergency Services Programme only spent R8 million, or 47 percent, of its R17 million budget for Planned Patient Transport (PPT) for 2008/09. It appears this

was due to the fact that to date only 17 of the 42 PPT vehicles purchased in 2006/07 had been delivered to the Department – although the Department does not confirm this in the Annual Report.

Recommendation: PPT provides an important service to patients who require transport to or between health facilities in the Province. Without a fully functioning service, patients are required to find and fund their own transport which then places additional barriers on their ability to access health care. The Department needs to ensure that it has a full and functioning fleet of PPT vehicles if it wishes to make its services more accessible to people in the Province.

Finding: The Provincial Hospital Services Programme did not spend 47 percent of its budget intended to purchase and upgrade tertiary and specialised hospitals (Tuberculosis and Psychiatric Hospitals). This under spend is largely due to the fact that the Department has once again failed to purchase its Tuberculosis hospitals from the South African National Tuberculosis Association (SANTA) despite the fact that funds have been set aside for this purpose since 2006/07.

Recommendation: The Department either needs to fast track the purchase of these facilities or put to better use the allocation set aside for this purpose.

Finding: The Provincial Hospital Services Programme has failed to spend 98 percent of its budget for the purchase and upgrade of equipment such as X-ray machines, Computerised Tomography (CT) scanners, laundry equipment, kitchen equipment and new beds for patients. While the Department does explain that a portion of these funds have been rolled over into the next financial year when the purchase of equipment such as CT scanners should be finalised, it does not explain why it has taken so long to purchase this equipment or why it has not spent a significant portion of the remaining budget set aside for machinery and equipment.

Recommendation: This issue is a repeat from 2007/08 and suggests that there are significant flaws in the Department's procurement process. The Department therefore needs to look into ways of streamlining this process to ensure that machinery and equipment for tertiary and specialised hospitals are procured more efficiently.

Finding: The Health Sciences and Training Programme under spent on its budget of R117 million for transfers to Universities and Technikons by R15 million or 13 percent. This means that it provided substantially less support for students studying towards degrees or diplomas at institutions in the Province which would be of benefit to the Department.

Recommendation: Due to the dire shortage of qualified personnel, particularly health professionals, available to the Department, every effort should be made to support students who wish to study towards relevant qualifications.

Introduction

The South African Constitution commits government departments to the progressive realisation of socio-economic rights, including the right to education, healthcare, housing and social welfare, within available resources. 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.¹ In order to effectively realise these rights through the delivery of public services, state departments and private service providers responsible for the management of public resources must implement effective accountability and service delivery processes. These include: planning and resource allocation processes; expenditure management processes; performance monitoring processes; integrity management processes; and, oversight processes. Together these processes combine to form a *social accountability system*, which acts as the central pillar of a responsive democratic state. The effectiveness of these processes can be established by monitoring their information outputs. To evaluate the social accountability system, the PSAM has developed a set of evidence-based tools for monitoring the information produced annually by each process.

This Report focuses on the implementation of an effective expenditure management process by the government department under review. It provides an account of what funds were available and whether they were spent during the financial year under review.

The Eastern Cape Department of Health is responsible for providing and ensuring accessible services in the Eastern Cape, emphasising the Primary Health Care approach, utilising and developing all resources to enable all its present and future generations to enjoy health and quality of life.

The Department operates through eight main programmes:

- Programme 1, Health Administration, is responsible for providing political and strategic direction to the Department by focusing on transformation and change management and for ensuring the management of financial, human, information and infrastructure resources.
- Programme 2, District Health Services, is responsible for ensuring the delivery of primary health care services through the implementation of the District Health System.
- Programme 3, Emergency Medical Services, is responsible for rendering efficient and effective emergency medical services to all patients of the Province.
- Programme 4, Provincial Hospital Services, is responsible for providing cost effective, good quality, high level specialised services to the people of the Eastern Cape in collaboration with the Health Science Faculties.
- Programme 6, Health Sciences and Training, is responsible for providing the training of all Health Professionals in the Province.
- Programme 7, Health Care Support Services, is responsible for the rendering of specialised clinical, orthodontic and prosthetic services.

¹ *Constitution of the Republic of South Africa*, Act 108 of 1996, Chapter 2, Sections 26, 27 and 29.

- Programme 8, Health Facilities Development and Maintenance, is responsible for improving access to health care services by providing new health services, upgrading and maintaining existing facilities.²

Broad overview of Expenditure

Table 1: Expenditure over the last five years³

Financial Year	Total Budget (R'000)	Expenditure (R'000)	Variance: (over)/ Under expenditure (R'000)	Percentage of (over)/under expenditure
2004/05	5,240,568	5,189,735	50,833	0.97
2005/06	6,246,872	6,134,492	112,380	1.8
2006/07	7,336,999	7,257,118	70,881	1.1
2007/08	8,068,697	8,013,008	55,689	0.7
2008/09	10,639,117	10,499,420	139,697	1.31
Total	37,532,253	37,093,773	429,480	1.14

For the 2008/09 financial year the Department spent R10.50 billion of its R10.64 billion budget which is 98.7 percent of its total allocation. As Table 1 illustrates, this is consistent with the trend in overall expenditure over the past five years where the Department has managed to keep under/over expenditure well within 2 percent of its total allocation, despite steady annual increases in budget. While this does seem to suggest that the Department has managed to keep its spending within an acceptable range, these highly aggregated figures do not reveal whether or not the budget has been spent efficiently, effectively or even appropriately. This aspect will be considered in greater detail below.

Table 2: Expenditure by Economic Classification⁴

Economic Classification	Voted For 2008/09 R'000	Adjusted Appropriation R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Variance as a % of Final Appropriation
Current Payments:	7,973,551	8,906,997	-8,820	8,898,177	9,043,301	-145,124	-1.63
Compensation of Employees	5,480,717	5,870,754	36,614	5,907,368	6,083,841	-176,473	-2.99
Goods and Services	2,492,834	3,036,243	-45,434	2,990,809	2,959,460	31,349	1.05
Interest and rent on Land					14,559	-14,559	
Transfers and Subsidies:	678,281	629,260		629,305	618,483	10,822	1.72
Provinces and municipalities	274,500	234,316		234,316	234,284	32	0.01
Departmental agencies and accounts	261,995	257,609		257,609	260,098	-2,489	-0.97
Universities and technikons	116,786	116,786		116,786	101,847	14,939	12.79
Households	25,000	20,549		20,594	22,254	-1,660	-8.06
Payments for capital assets:	1,094,183	1,101,532	8,820	1,110,352	821,838	288,514	25.98
Buildings and other fixed structures	767,067	738,504	5,322	743,826	703,461	40,365	5.43
Machinery and equipment	327,116	363,028	3,498	366,526	118,377	248,149	67.70
Software and other intangible assets							
Total	9,746,015	10,637,789		10,637,834	10,483,622	154,212	1.45

When the Department's expenditure is reviewed by economic classification (Table 2) a few important areas of concern emerge. The most obvious of these is that the Department under spent on its payments for capital assets by slightly more than a quarter (26 percent) of its final appropriation, or the final amount made available to it

² Programme 5, the Central Hospital Services Programme, is dormant.

³ Eastern Cape Department of Health Annual Reports, 2004/05, 2005/06, 2006/07, 2007/08, 2008/09.

⁴ Eastern Cape Department of Health, Annual Report 2008/09, p. 246

during the year. This follows two marginal increases to this allocation during the year in the form of an adjustment and virement totaling R16 million. Of particular importance in this regard is that the Department only managed to spend R118 million, or 32.3 percent, of the R367 million made available to it for the purchase, maintenance and upgrade of machinery and equipment. This means that there was R248 million for machinery and equipment which went unspent.

In its Annual Report the Department has accounted for R69 million of this amount which it explains was due to:

“[The] Turnkey provision of Linear Accelerators and Computerized Tomography scanners for the Oncology sites at Livingston Hospital in Port Elizabeth and Frere Hospital in East London...These funds were not spent as this project has entailed extensive and protracted infrastructure planning for site location at both Frere and Livingstone hospitals which have impacted on the resultant delayed procurement processes and the subsequent bid award late in the financial year.”⁵

According to the Department it has requested that this amount be rolled over into the 2009/10 financial year when the transaction should be completed.⁶ The Department does not explain what impact the delay in acquiring such equipment has had on patients. This explanation only accounts for approximately 28 percent of the total under expenditure for machinery and equipment.

The remaining R179 million in under expenditure is not explained in any detail in the Annual Report. A review of expenditure by economic classification for each programme, however, reveals that R103 million of this amount was due to under spending in the Health Facilities Management Programme (Programme 8).⁷ The only information the Department provides for failing to spend 79 percent of its budget for machinery and equipment for this Programme is that it did not spend the entire “budget set aside for generators and the Hospital Revitalization Conditional Grant”.⁸ This is not an appropriate explanation and Portfolio Committee must investigate this thoroughly. The Department also fails to explain why it has requested a rollover of only R60 million for 2009/10.

This Programme is responsible for “providing new health facilities as well as upgrading and maintaining existing facilities”. It administers approximately one third (36 percent) of the Department’s entire budget for machinery and equipment. The under expenditure appears to be the result of the Department not spending money set aside for the procurement of back-up electricity generators for facilities in the Province. During the Provincial Budget Speech in February 2008 the then MEC for Finance, Billy Nel, announced that the Eastern Cape Department of Health would be receiving an additional allocation of R50 million for the purchase, upgrade and maintenance of electricity generators and uninterrupted power supply units at health facilities in the Province to “forestall” electricity disruptions at health facilities.⁹ This allocation was made in

⁵ Eastern Cape Department of Health, Annual Report 2008/09, p. 33

⁶ Ibid, p. 221

⁷ Ibid, p. 244

⁸ Ibid, p. 32

⁹ Eastern Cape Provincial Treasury, Budget Speech 2008, available at www.ecdoh.gov.za/uploads/speeches/310706160759.pdf

response to serious consequences of electricity blackouts since 2006. The first occurred in May 2006 when four babies died at Cecilia Makiwane Hospital's paediatric Intensive Care Unit due to a generator failing to come online.¹⁰ The second incident occurred at Frere Hospital's Intensive Care Unit early in 2008 when nurses had to manually pump oxygen to patients for four hours when generators failed to come online.¹¹

Considering that the Programme responsible for the purchase, upgrade and maintenance of these generators has spent only R27 million of its budget for *all* machinery and equipment¹² at health facilities in the Province, it is highly unlikely that the Department spent any meaningful portion of the R50 million set aside for generators.

A careful review of expenditure by economic classification highlights another matter of importance. During the 2008/09 financial year the Department overspent on its allocation for the compensation of employees of R5.9 billion by R176 million or 3 percent. Although this is a substantial sum in itself, it does not reveal the full extent of the pressure overspending on this budget item has placed on the financial resources available to the Department for the year.

For the 2008/09 financial year the Department received an initial allocation of R5.5 billion for the compensation of employees. This was an increase of R918 million, or 20 percent, on the R4.6 billion it spent on this item in 2007/08. Then, in addition to the massive increase it received on the previous year's allocation, the Department received an additional adjustment of R390 million, or 7 percent, during the mid-year budget review. The budget for this item was then increased again by R39 million through a virement, taking the final allocation for this item for 2008/09 to R5.9 billion, or nearly 8 percent more than was allocated at the beginning of the financial year. Despite these substantial increases throughout the year, the Department still managed to overspend on its final allocation for the compensation of employees by R 176 million or 3 percent.

The Department explains that this final overspend, and by extension the need for substantial adjustments during the year, was "caused by the impact of Occupational Specific Dispensation (OSD) payments to nurses exceeding projections".¹³ According to the Department's Accounting Officer, payments exceeded projections because of an "unforeseen different interpretation of the relevant collective agreement by provinces as well as costing models based on incorrect data derived from PERSAL and the inadequate budget allocations to provinces".¹⁴ This explanation suggests that over expenditure as a result of the OSD was largely due to poor planning, inadequate modeling and the failure of systems, such as PERSAL, to accurately account for the Department's personnel establishment.

While the provincial Department of Health and Treasury cannot be held solely responsible for modeling developed at the national level and which has inaccurately determined projections and transfers to provinces, it is responsible for monitoring the implementation of OSDs and ensuring that any shortcomings in that implementation from one year are planned for and managed into the next. This, however, appears not to

¹⁰ 'Baby Deaths: why backup generators did not start', Daily Dispatch, 26 May 2006.

¹¹ 'Frere's Hospital Fear', Daily Dispatch, 15 January 2008.

¹² Eastern Cape Department of Health, Annual Report 2008/09, p. 264

¹³ Ibid, p. 32

¹⁴ Eastern Cape Department of Health, Annual Report 2008/09, p. 217

have happened. Problems with the implementation and funding of the OSD started with its introduction in July of 2007 and resulted in the need for in-year increases to the allocation for the compensation of employees totaling R353 million.¹⁵ Despite this increase, the Department still overspent on this allocation by R37 million by the end of that year. In an effort to make provision for the OSD in 2008/09, the Department received a substantial increase of R918 million for the compensation of employees from its R4.56 billion adjusted appropriation in 2007/08. But, as was shown earlier, the Department still managed to overspend on this allocation in 2008/09 even with substantial additional increases throughout the year. For the 2009/10 financial year the Department appears to have not made any provision for possible shortfalls due to the OSD and has actually budgeted R18 million less than it managed to spend in 2008/09.¹⁶ The Department therefore will most likely need to once again receive additional allocations for this item in the form of adjustments and virements in order to avoid another considerable overspend by the end of the financial year. This may have the unfortunate consequence of further limiting funds available to other key items such as goods and services. This would not be the first time this happened as the Department “enforced austerity measures in respect of goods and services”¹⁷ in 2008/09.

Table 3: Conditional Grant Expenditure¹⁸

Name of Grant	Division of Revenue Act Provincial Grant R'000	Rollovers and Adjustments R'000	Total Available R'000	Amount Received by Department R'000	Amount Spent by Department R'000	Variance from Total Available %
National Tertiary Services Grant	468,088	40,586	508,674	339,036	414,774	18.46
Health Professionals Training and Development Grant	140,641		140,641	164,278	120,897	14.04
Hospital Revitalisation Grant	282,288	8,639	290,927	276,251	223,901	23.04
Comprehensive HIV/AIDS Grant	300,522		300,522	300,522	301,432	-0.30
Forensic Pathology Services Grant	58,129	32,195	90,324	90,324	95,265	-5.47
Total	1,249,668	81,420	1,331,088	1,170,411	1,156,269	13.13

A review of the Department’s conditional grant expenditure (Table 3) reveals that the Department has under spent on three of its five grants. Of the R508 million made available to the Department for the maintenance and improvement of its tertiary hospitals through the National Tertiary Services Grant, the Department has spent R415 million or 82 percent. Of the R141 million made available to the Department for the training and development of health professionals in the Province through the Health Professionals Training and Development Grant, the Department has spent R121 million or 86 percent. Spending on the Hospital Revitalisation Grant is particularly troubling as the Department only managed to spend R223 million, or 77 percent of the R291 million available to it for the upgrade and maintenance of hospitals in the Province.

While the Department does provide plausible explanations for the under spend on the National Tertiary Services Grant and the Health Professionals Training and Development Grant (in both cases allocations will be rolled over into the next financial year for the completion of allocated tenders),¹⁹ the Department provides little explanation for under spending on the Hospital Revitalisation Grant (HRG). Based on information

¹⁵ Eastern Cape Department of Health, Annual Report 2008/09, p. 246

¹⁶ Eastern Cape Department of Health, Annual Report 2008/09, p. 246; The Eastern Cape Provincial Treasury, Budget Statement II, p.68

¹⁷ Eastern Cape Department of Health, Annual Report 2008/09, p. 220

¹⁸ Ibid, p. 33

¹⁹ Eastern Cape Department of Health, Annual Report 2008/09, p. 33

provided in the 2008/09 Annual Report,²⁰ most of this under expenditure was due to the R50 million for backup generators being unspent. The Department, however, provides no explanation for why this portion of the grant was not spent, or if it will be used in the 2009/10 financial year. In the absence of further information or explanation by the Department, patients' lives may have been placed in danger due the Department not spending allocated money on generators.

Conditional grants are schedule 5 allocations made in accordance with the annual Division of Revenue Act. Before such funds are transferred to Departments they are required to submit detailed and costed business plans outlining exactly how these prioritised allocations will be used.²¹ Should the Department's expenditure reveal that it does not have the capacity to spend these prioritised allocations provided by the National Department of Health and Treasury for specific deliverables, the Department runs the risk of receiving reduced allocations in future. The Department's poor expenditure performance related to three of the conditional grants is serious cause for concern and must be met with corrective action. The Department cannot afford to lose funding at a time when it needs to be expanding and improving the health system.

Table 4: Expenditure by Programme²²

Programmes	Voted for R'000 2008/09	Adjustments and rollovers R'000	Adjusted Appropriation R'000 2008/09	Virement R'000	Total Voted R'000	Actual Expenditure R'000	Variance R'000	Variance as a % of Final Appropriation
Statutory Appropriation	816	512	1,328	0	1,328	1,239	89	6.70
1. Health Administration	523,821	6,070	529,891	-22,262	507,629	506,587	1,042	0.21
2. District Health Services	4,237,898	538,783	4,776,681	69,103	4,845,784	4,915,707	-69,923	-1.44
3. Emergency Medical Services	395,756	38,252	434,008	24,855	458,863	457,744	1,119	0.24
4. Provincial Hospital Services	2,298,463	294,925	2,593,388	30,989	2,624,377	2,674,448	-50,071	-1.91
5. Central Hospital Services	468,088	40,586	508,674	0	508,674	414,774	93,900	18.46
6. Health Science and Training	61,994	571,479	633,473	-39,427	594,046	547,955	46,091	7.76
7. Health Care Support Services	72,729	-5,127	67,602	-5,408	62,194	46,702	15,492	24.91
8. Health Facilities Development and Maintenance	1,129,266	-35,194	1,094,072	-57,850	1,036,222	934,265	101,957	9.84
Total	9,746,015	893,102	10,639,117	0	10,639,117	10,499,421	139,696	1.31

Programme 2: District Health Services

The District Health Services Programme receives the largest portion of the Department's budget (R4.92 billion) and overspent on its allocation by R70 million. While this only constitutes an overspend of 1.4 percent on the Programme's final appropriation, expenditure for this Programme needs to be understood in terms of what was spent in relation to its original allocation and subsequent adjustments. At the beginning of the 2008/09 financial year the Programme was allocated R4.24 billion. During the mid-term budget review it received an adjustment of R539 million, which was followed by an additional virement of R69 million later in the year. This means that had this Programme not received the additional R608 million in adjustments and virements, it would have over spent on its original allocation by a massive 12 percent.

²⁰ Ibid, p. 32

²¹ Division of Revenue ACT [No.1 of 2008], Section 7 (1)(a) and Section 10 (1)

²² Eastern Cape Department of Health, Annual Report 2008/09, pp. 243-244

This substantial increase to the Programme's budget during the 2008/09 financial year appears to have resulted from inadequate initial allocations for the compensation of employees as well as those for goods and services. For the compensation of employees this Programme received an initial allocation of R2.76 billion which was increased during the year by R321 million to R 3.08 billion.²³ Despite this, the Programme still managed to overspend on this item by R68 million or 2 percent.²⁴ A review of the expenditure for goods and services for this Programme reveals a similar trend. After receiving an initial allocation of R829 million, the Programme received an additional R298 million in the form of adjustments and virements during the year.²⁵

The Department explains that the over spending on the compensation of employees was due to the impact of the OSD.²⁶ As was the case for the 2007/08 financial year the Department suggests that this was due to payments to nurses exceeding projections because of an inaccurate costing model.²⁷ This issue has hit the Programme particularly hard as it is responsible for the delivery of primary health care which relies primarily on the services of nurses.

The Department does not provide an explanation for why the budget for goods and services for this Programme had to be increased by 25 percent during the year.²⁸ While it is impossible to ascertain the reasons for this overspend, there is reason to believe that this overspend could have been prevented had the Department initially budgeted for this item based on past spending performance. In 2006/07 the Department spent R1.06 billion on goods and services for this Programme, in 2007/08 this decreased slightly to R1.04 billion. At the beginning of the 2008/09 financial year, however, the budget for this item decreased substantially by R143 million or 14 percent.²⁹ The Department has not provided any explanation for this substantial decrease which appears to be behind the need for the additional allocations during the year. Unfortunately it appears that the Department may once again need to adjust its budget for this item in 2009/10 as it has only increased the budget by 4.53% in nominal terms from the 2008/09 adjusted appropriation. If inflation is taken into account this actually represents a decrease of 0.92 percent in real terms.³⁰

Programme 3: Emergency Medical Services (EMS)

The Department's EMS Programme has generally done well to spend the budget made available to it. For 2008/09 this Programme spent R458 million, which was approximately R1 million less than its R459 million budget (Table 4).

The only area of concern with regard to expenditure within this Programme is that its Planned Patient Transport (PPT) sub-programme only spent R8 million, or 47 percent, of

²³ Eastern Cape Department of Health, Annual Report 2008/09, p. 252

²⁴ Ibid, p. 252

²⁵ Ibid, p.252

²⁶ Ibid, p.220

²⁷ Ibid, p. 32

²⁸ Ibid, p. 252

²⁹ The Eastern Cape Provincial Treasury, Budget Statement II 2009/10, p.73

³⁰ The Eastern Cape Provincial Treasury, Budget Statement II 2009/10, p.73

its R17 million budget.³¹ The only possible explanation for this under spending is that only 17 of the 42 PPT vehicles purchased in 2006/07 had been delivered to the Department.³² This is problematic as this sub-programme is responsible for providing transfers to and between health facilities in the Province and any potential shortage of vehicles or staff to perform this function could adversely affect such vital services. This could result in patients having to organise and pay for their own transport between facilities, critical delays in important transfers or could even place additional strain on emergency vehicles and staff.

Programme 4: Provincial Hospital Services

The Provincial Hospital Services Programme spent R2.67 billion during the 2008/09 financial year. This is R376 million more than it received at the beginning of the year and R50 million more than its final appropriation after adjustments and virements. This means that this Programme spent 1.9 percent more than it was allocated during the year. While this insubstantial overspend on the Programme's total allocation would initially suggest that this Programme has done well to manage its budget, a more detailed analysis of this Programme's expenditure reveals a very different situation.

After receiving adjustments and virements during the year totalling R118 million, this Programme still overspent on its R1.86 billion budget for the compensation of employees by R163 million, or 8.7 percent.³³ The Department explains that, as with the District Health Services Programme, this was caused mainly by the impact of the implementation of the OSD for nurses.³⁴

In contrast to the substantial overspend on the compensation of employees, the Department only spent 53 percent of its budget for machinery and equipment and 2 percent of its budget for buildings and other fixed structures.³⁵ This means that the Department did not spend 47 percent of its budget intended to purchase and upgrade tertiary and specialised hospitals (Tuberculosis and Psychiatric Hospitals) and 98 percent of its budget for the purchase and upgrade of equipment such as X-ray machines, Computerised Tomography (CT) scanners, laundry equipment, kitchen equipment and new beds for patients.³⁶

While little information is given for this under spend, it appears that the reasons are the same as those provided for the previous year. This pattern of expenditure is not unique to this financial year though. In 2007/08 the Department only spent 20 percent of its budget intended to purchase and upgrade tertiary and specialised hospitals and 66.7 percent of its budget for the purchase and upgrade of equipment for these facilities.³⁷ In that year the Department suggested that poor spending on capital assets was largely due to the late transfer of funds for the upgrade and purchase of TB hospitals in the Province.³⁸ Despite promises that this would be dealt with in the 2008/09 financial year,

³¹ Eastern Cape Department of Health, Annual Report 2008/09, p. 253

³² Ibid, p. 152

³³ Ibid, p. 256

³⁴ Eastern Cape Department of Health, Annual Report 2008/09, p. 32

³⁵ Eastern Cape Department of Health, Annual Report 2008/09, p. 32

³⁶ Ibid

³⁷ Eastern Cape Department of Health, Annual Report 2007/08, p.256

³⁸ Ibid, p.30

the Department had not yet finalised the purchase of these facilities by the end of 2008/09.³⁹

Programme 6: Health Sciences and Training

The Health Sciences and Training Programme under spent on its budget of R594 million by R46 million or 7.6 percent (Table 4). This under spending was caused mainly by the Department under spending on its allocation of R117 million for transfers to Universities and Technikons by R15 million or 13 percent; on buildings and other fixed structures by R10 million or 43 percent; and on machinery and equipment by R11 million or 52 percent.

While the Department does explain that that under spending on buildings and fixed structures for this Programme was largely due to the fact that payments had not been made for the delivery of “park homes” and incomplete renovations to the Port Elizabeth Nursing campus, for which it has requested rollovers,⁴⁰ it does not explain under spending on the other two items.

For example, under spending on transfers to Universities and Technikons suggests that the Department did not award as many bursaries to students studying to become health professionals as resources would allow. This may be because there were not enough suitable candidates to award bursaries to. There is no way of telling though as an explanation for the under spend is not provided in the Annual Report. The Department must provide detailed explanations where expenditure is under or over the allocated sums.

Programme 8: Health Facilities Development and Maintenance

The Health Facilities Development and Maintenance Programme under spent on its budget of R1.1 billion by R102 million, or approximately 10 percent for the 2008/09 financial year.

As has already been noted, the AO states that this under spending was largely due to the Department not spending a substantial portion of the Programme’s budget for machinery and equipment, particularly the R50 million set aside for generators at health facilities across the Province. According to the AO, the Department has requested that R67 million of this be rolled over into the next financial year. What the Department does not do, however, is explain the reasons for this under expenditure or what has happened to the remaining R35 million that went unspent during the year.

³⁹ Eastern Cape Department of Health, Annual Report 2008/09, p.13

⁴⁰ Ibid, p. 32