

SECTION 3: FINANCIAL REPORT
ANNUAL FINANCIAL STATEMENTS FOR THE NATIONAL DEPARTMENT OF HEALTH - VOTE 14
For the year ended 31 March 2009

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REPORT BY THE ACCOUNTING OFFICER TO THE EXECUTIVE AUTHORITY AND PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA

FOR THE YEAR ENDED 31 MARCH 2009

1. General review of state of financial affairs

1.1 Important policy decisions and strategic issues facing the department

- a) Decreasing the burden of disease from both communicable and non-communicable diseases, as well as injuries and trauma;
- b) Ensuring more targeted recruitment, especially to under-served areas as well as a more robust retention strategy to create a consistent supply of health professionals, who are properly trained and highly motivated to provide a quality service;
- c) Poverty, unemployment, low education levels, poor transport infrastructure, social cohesion issues. These determinants of health lie outside the health sector, but have a significant impact on health outcomes;
- d) Poor health infrastructure, coupled with inadequate resources for expanding and upgrading clinics, community health centres and hospitals. This is notwithstanding the progress made with the implementation of the Hospital Revitalisation Project.

To address these issues the Department focused on eight priority areas that were adopted by the National Health Council (NHC) as National Health System (NHS) priorities for 2008/09

- i) Programme priorities, both communicable and non communicable diseases
- ii) Public health facility improvement, through the implementation of a health facilities improvement plan
- iii) Implementation of integrated national health information systems
- iv) Health financing, including designing the national health insurance system and reducing the rate of increase of tariffs in the private health care sectors
- v) Further reduction in the prices of pharmaceutical products
- vi) Strengthening Human Resources for Health
- vii) International Health Relations and
- viii) Strengthening management and communication.

1.2 Significant events that have taken place during the year

- a) Over the past year, several important sectoral reviews have been conducted and a number of policy making processes have been initiated.
- b) A national health insurance working group established giving emphasis to health sector priorities.
- c) Reviews have been conducted by the Presidency culminating in the Towards a Fifteen Year Review: Synthesis Report, an extensive health sector review has been coordinated by the Development Bank of South Africa, and the Department of Health has commissioned an external evaluation of development and performance in the health sector between 1994 and 2008.
- d) Areas of recent progress include filling 37 059 posts in the health service over the past three years. HIV and AIDS programmes are accelerating, with over 200 000 new patients starting treatment over the past 12 months.

- e) Primary care services have been strengthened. At 90%, immunisation coverage is high and measles control has improved to such an extent that it might actually have been eliminated. The majority of pregnant women attend antenatal clinics and deliver their babies in health facilities.
- f) Malaria cases and deaths have been reduced through improved control programmes.
- g) The number of cases of serious malnutrition has declined.
- h) Anti-tobacco policies, an important aspect of chronic disease prevention, have been pursued with vigour.
- i) Infrastructural improvement is ongoing through the hospital revitalisation programme.
- j) Medicine prices have been noticeably reduced.

1.3 Comments on major projects undertaken or completed during the year

- a) Two new child vaccines were introduced to reduce cases of diarrhoea and pneumonia, which are significant causes of child morbidity.
- b) By the end of April 2009, 781 465 patients had been initiated on antiretroviral therapy, of which 718 907 were adults, and 62 558 were children.
- c) New quality assurance systems were put in place, including the national office of standards compliance to monitor both the quality of care and compliance with norms and standards for health facilities.
- d) The tuberculosis cure rate of 64% has increased from 57.7% in 2006/07. Tuberculosis tracer teams were appointed and placed in districts across South Africa to help reduce the defaulter rate, resulting in a decrease in the defaulter rate from 10.4% in 2006/07 to 7% in 2008/09. Most tuberculosis patients who presented to the health facilities in 2008 were tested for HIV. Provincial health workers were continuously being trained on tuberculosis control. One of the challenges was the lack of reliable data on community prevalence of tuberculosis and multi-drug resistant and extensively drug resistant strains. A national prevalence survey of tuberculosis will be conducted in 2009/10.
- e) A 29.5 % decrease in malaria cases was achieved between 2007/08 and 2008/09, which exceeded the 2008/09 target of 10%. The number of malaria cases decreased from 8 743 in 2007/08 to 6 167 in 2008/09. The case fatality rate also decreased from 0.8 in 2007/2008 to 0.6 in 2008/2009. There were 40 deaths in 2008/2009 compared to 68 deaths in 2007/2008.
- f) National immunisation coverage of 88.8 per cent was achieved in 2008/09, against a target of 90 per cent. Three new vaccines will be progressively implemented in 2009/10, with the aim of reducing child mortality. The new vaccines target the most common forms of pneumonia (pneumococcal) and diarrhoea (rotavirus).
- g) Doctors, dentists, pharmacists and emergency medical personnel will receive improved remuneration.
- h) The new South African Health Products Regulatory Authority is being established.
- i) Mechanisms to address inequities in health sector financing, such as mandatory health insurance, are being researched.
- j) The national department's oversight capacity over provincial health services will be strengthened and methods to improve coordination and address weaknesses of fiscal federalism (such as the differential implementation of priorities across provinces) are being designed.

1.4 Spending trends

Programme 1: Administration

The Administration programme conducts the overall management of the department. Activities include policy-making by the offices of the minister, deputy minister and director-general, and the provision of centralised support services, including strategic planning, legal, financial, communication, and human resource services to the department.

The programme shows an under expenditure of R 3, 9 million (1.6%) against a budget of R244, 9 million.

The under spending can mainly be ascribed to the delays experienced in the relocation to the newly upgraded Civitas Building due to incomplete processes between the contractors and the public works department. Although the funds are committed, the payments could not be made during the year.

Programme 2: Strategic Health Programmes

Strategic Health Programmes co-ordinates a range of strategic national health programmes by developing policies, systems, management, funding and monitoring of key programmes. Programmes include maternal, child and women's health and nutrition; HIV and AIDS/STIs; TB control programmes; non-communicable diseases and communicable diseases.

The five sub-programmes are as follows:

- Maternal, child and women's health
- HIV and AIDS and STIs
- Non-communicable diseases
- Communicable diseases
- TB control and management

The programme shows an under expenditure of R 38 million (1%) against a budget of R4,166 billion

The under spending can mainly be ascribed to the slow progress on the mortuaries to be built as well as payment of invoices with the forensic pathology services conditional grant at provincial level. Funds earmarked to NGOs could not be released in full before year-end.

Programme 3: Health Planning and Monitoring

Health Planning and Monitoring supports the delivery of health services and the department as a whole.

The four sub-programmes are as follows:

- Health information research and evaluation
- Financial planning and health economics
- Pharmaceutical policy and planning
- Office of standards compliance

The programme has spent 100% of its allocated funds amounting to R342 million with only R110 000 unspent.

Programme 4: Human Resources and Management Development

The main objective of the programme is to develop and assist provinces to implement a comprehensive long-term national human resources plan, which will ensure an equitable distribution of health human resources.

The three sub-programmes are as follows:

- Human resources policy, research and planning
- Sector labour relations and planning
- Human resources development and management

The programme shows an under expenditure of R 10 million (0,6%) against a budget of R1, 716 billion

The under spending can mainly be ascribed to the delay in finalising a tender for an audit of Nursing Colleges project. A roll over of the funds has been requested.

Programme 5: Health Services

Health Service programme supports the delivery of health services, primarily in the provincial and local spheres of government.

The four sub-programmes are as follows:

- Hospitals and health facilities management

- District Health Services
- Environmental health promotion and nutrition
- Occupational health

The programme has spent 96,4% of its allocated funds amounting to R8,945 billion which resulted in an under expenditure of 3,6% amounting to R334 million.

The under expenditure can be attributed to withheld hospital revitalisation and the forensic pathology services conditional grants for some provinces due to delays with construction processes of approved projects as well as invoices which could not be paid before year end due to cash flow limitations. A roll over has been requested for the funds since the funds have been committed.

Programme 6: International Relations, Health Trade and Health Product Regulation

This programme co-ordinates bi-lateral and multilateral international health relations, including donor support; and provides oversight over health trade and the development of health products.

The three sub-programmes are as follows:

- Multilateral relations
- Food Control and Non-medical health product regulation
- Pharmaceutical and related product regulation and management

The programme has spent 99,6% of its allocated funds amounting to R97 million with only R382 000 (0,4%) unspent.

The Medicines Control Council surrendered an amount of R 25 416 million to the National Revenue Fund on 27 March 2009, but at year end, an amount of R 279 313,80 reflected in the MCC's bank account that will be paid to the NRF during the 2009/10 financial year.

1.5 Virement

The following virements were affected during the financial year under review:

1) Compensation of employees

To defray excess expenditure on compensation of employees within various activities, the following shifting were requested within the Economic Classification: Compensation of Employees:

- An amount of R1,7 million from Programme 3 under Pharmaceutical Policy and Planning.
- Programme 5 an amount of R1,743 million under District Health Services , Occupation Health and from Hospital and Health Facilities Management.
- Programme 6 R1.6 million was shifted from Food Control and Non-Medical Health Product Regulation as well as from Pharmaceutical and Related Product Registration and Management.
- The National Treasury furthermore approved a virement of R4,9 million from Goods and Services to Compensation of Employees to defray the overspending in the said item and the funds were shifted from Strategic Health Programme under Cluster :HIV and AIDS and STI.

2) Goods and Services

The department introduced a six programme structure, which placed a strain on the budget of a number of clusters within the department. To defray the excess expenditure in these clusters funds were moved within the Goods and Services budget from various programmes for the amount of R39,1 million.

Further more, during the financial year the department expended on the items: gift and donations as well as leave gratuities. As the expenditure on these two items was difficult to determine at the beginning of a financial year, funds were shifted once the expenditure was realised.

Approval from National Treasury was also obtained for the transfer payment to MRC to be increased with an amount

of R3 million. All funds were shifted from Strategic Health Programme under Cluster: HIV and AIDS and STI.

2. Services rendered by the department

2.1 Activities

The National Department of Health develops policies to regulate the public health sector to ensure that South Africa has a health service that meets international requirements and standards. The department also renders a laboratory service to the public through its forensic laboratories. The radiation control unit is responsible for inspections of radiation equipment ensuring that the industry complies with norms and standards.

2.2 Tariff policy

The majority of revenue collected by the National Department of Health is derived from applications for registration of medicines. The balance originates from laboratory tests which are being done by the forensic laboratories, which are under the control of the Department. These fees are reviewed regularly and recovers cost.

2.3 Free Services

The Department does not provide any free services.

2.4 Inventories

Inventory on hand at year end consisted of the following stock items:

	R'000
Laboratory consumables	5
Stationery and Printing	1
Medical Supplies	13
Total inventory	19

3. Capacity constraints

The National Department is faced with a shortage of skills in the health field in the labour market. This is impacting on policy development as well as the monitoring of health programmes implemented at provincial level. In order to circumvent the problem, health professionals are being employed on a three-year contract. Government has also embarked on an Occupational Specific Dispensation (OSD) project to significantly improve salaries of health professionals.

The Department is actively participating in the internship programme and through this it is envisaged that some of the vacancies will be filled by employing interns once they have successfully completed their programmes.

4. Utilisation of donor funds

The department of Health is privileged to have partners from donor organisations. Foreign aid assistance received in kind during the year amounted to R 9 678 million for various projects. These funds have been deposited in the RDP Fund and are drawn by the department to implement the projects. The expenditure amounted to R146 million. Donor funds are mainly sourced to areas where both the health department and the donor agreed as an area of priority. Funds are being received from European Union for the public health sector support programme, Italy, for their support in the strengthening of the South African health system; Belgium, for TB and HIV and STI prevention; the Global Fund, for TB and AIDS and Malaria prevention; CDC, for HIV and AIDS activities.

5. Trading entities and public entities

Medical Research Council

The Medical Research Council (MRC) undertakes scientific research on clinical and health systems issues. Core funding is through the department of Health with the allocations from government being determined as part of the overall science vote under control of the Minister of Arts, Culture, Science and Technology, advised by the National Council for Innovation. Funding from the department's vote amounts to R 236 million in 2008/09. The council is successful in attracting research funding from other sources. There is close co-operation with the Department of

Health in setting research priorities. A critical task is research into a vaccine against the strain of HIV that affects sub-Saharan Africa.

National Health Laboratory Services

The National Health Laboratory Service Act, 37 of 2000 came into operation in May 2001. The entity is now fully operational as the legislated preferred provider of laboratory services to public health facilities. The National Health Laboratory Services took over the laboratory services in KwaZulu-Natal during the year under review. The National Health Laboratory Service's major source of funding will be the sale of analytical laboratory services to users such as provincial departments of health, but it continues to receive a transfer from the national department, which amounted to R 70, 2 million in 2008/09.

Medical Schemes Council

The Medical Schemes Council regulates the private medical scheme industry in terms of the Medical Schemes Act, 131 of 1998, and is funded mainly through levies on the industry in terms of the Council for Medical Schemes Levies Act (58 of 2000). During 2008/09 the department transferred R 6,1 million to the council.

South African National Aids Council Trust (SANAT)

During the period under review the SANAT was dormant. SANAC itself operates as planned with its activities funded by the HIV and AIDS cluster. SANAC together with senior members of the National Department of Health has drafted a restructuring plan, which has to obtain Cabinet approval.

Trading Entity

Mines and Works Compensation Fund

The Compensation Commissioner for Occupational Diseases is responsible for the payment of benefits to miners and ex-miners who have been certified to be suffering from lung-related diseases because of working conditions. The Mines and Works Compensation Fund derives funding from levies (mine account, works account, research account, state account) collected from controlled mines and works, as well as appropriations from Parliament. Payments to beneficiaries are made in terms of the Occupational Diseases in Mines and Works Act 78 of 1973. The value of the fund for the CCOD amounts to R1,1 billion while the department's transfer payment amounted to R2,355 million for the year under review.

The entire financial system of the Compensation Commissioner for Occupational Diseases is being re-engineered.

6. Organisations to whom transfer payments have been made

Ninety-eight percent (98%) of the budget of the National Department of Health consists of transfer payments to third parties. These can be classified as follows –

Conditional Grants - These grants transfer the major conditional grants to provinces to fund specific functions as follows :

National Tertiary Services Grant	R 6 134 billion
Health Professions Training and Development Grant	R 1 679 billion
Hospital Revitalisation	R 2 664 billion
Comprehensive HIV and AIDS Plan	R 2 885 billion
Forensic Pathology Services	R 594 million

These funds flow to provincial health departments from where spending takes place on items as contained in a pre-approved business plan. More details of the transfers per province are contained in **Annexure 1 C** of the financial statements.

The National Department of Health has no conditional grants to municipalities and can certify that all conditional grant funding, which was transferred, was in fact transferred into the primary bank account of the province concerned.

Monitoring process – the performance of provinces were monitored by the National Department of Health in terms of the reports submitted by provinces and in terms of the frameworks which had been published in the DORA Bill for 2008/09. In support of the monitoring process described above officials from the National Department of Health also paid site visits to recipient provinces to verify progress.

Based on the reports received from provinces it transpires the allocations achieved the purpose and outputs in the Act.

In the National Department of Health none of the amounts allocated in terms of the DORA was utilised for administrative purposes. Provincial reports indicated that the transferred funds were applied in terms of the framework and business plan for each of the grants.

Where non-compliance occurred in terms of the Act it was rectified by means of discussion and in some cases delaying transfers.

Funds were withheld for two grants viz; Hospital Revitalisation and Forensic Pathology Services in consultation with the affected provinces.

Public Entities – Transfers are made to the public entities under the auspices of the National Department of Health and have been listed earlier in the report.

Non-governmental organisations (NGOs) – NGO's range from national NGOs who are delivering services in the field of health and cover diverse institutions from LoveLife to Soul City to a range of smaller NGOs who are active in the field of HIV and AIDS. More details of the institutes funded can be found in **Annexure 1 K** of the annual financial statements.

7. Public Private Partnership (PPP)

The PPP agreement was concluded on 30 May 2003 and the partnership is valid from 1 April 2003. In terms of the contracts the National Department of Health holds 40% of the shares in BioVac Institute Pty Ltd (BioVac). In exchange for the 40% share the National Department of Health transferred the staff and assets of the directorate, which housed the State Vaccine to the BioVac. The department foresees no significant future cash flows to the PPP entity. The National Department of Health has no business relations with BioVac, however as part of the PPP contracts, BioVac has the right to supply provincial health departments with EPI vaccines from 2004 to 2007 (four years) at competitive prices. There were changes in the structure of the PPP through the dilution of the 40% share holding to 30%. This has also been approved by National Treasury. Implementation of the change will only be done in the next financial year.

The transfers into the PPP was estimated to have a value of R13,5 million and a third party valuation done in July 2008 on the net assets value method of valuation placed a value of R18,8 million on the National Department of Health's stake in the PPP.

No valuation was done on BioVac for disclosure in the current financial year because the department is currently valuating the relationship with BioVac and once this process has been completed, the department will be in a position to disclose and to decide on a way forward beyond December 2009.

8. Corporate Governance Arrangements

The department has an active risk management unit which is currently in the internal audit directorate for assistance with the establishment and sustainability. Risk assessment was conducted during the year under review and a departmental risk profile has been developed. The risk assessment is conducted annually and the risk register is updated accordingly.

The department has a risk policy which includes a fraud prevention plan. Fraud awareness campaigns are conducted through a series of workshops with units in the Department to institutionalise risk management and to instil a fraud prevention culture.

The department has a fully functional internal audit unit which co-ordinates its efforts with other assurance providers. The unit performs audits in terms of its approved audit plan and reports functionally to the audit committee and administratively to the accounting officer.

The Internal Audit Unit entered into a co-source arrangement with an audit firm to outsource some audit projects on its operational plan. The Internal Audit Unit conducted a quality assurance review on its activities, and it "Generally Conforms" to the Standards for the Professional Practise of Internal Audit.

The audit committee operated in accordance with its approved written terms of reference and held six meetings during the financial year.

9. Discontinued activities / activities to be discontinued

No activities were discontinued during the year under review.

10. New / proposed activities

At this stage no new activities have been identified.

11. Asset management

• Asset Management Reforms

The department has progressed substantially in completing its asset management implementation plan. A physical stock take of all assets was conducted during the year under review and an asset register is now available for audit purposes.

12. Events after the reporting date

The Department applied for the following rollovers

- Conditional Grants to the value of R 358 665 million of which R 10 207 million was for the Forensic Pathology Services Grant and R 323,904 million for the Hospital Revitalisation Grant, were withheld due to under performance in the provinces.
- Funding of R 2,496 million to cover commitments for the completion of the infra-structure in the Civitas Building.
- Rollover of goods and services funds of R 11 million, which are earmarked to be spent in 2009/10 of which R10 million is for the nursing colleges recapitalisation project.

13. Performance information

The quarterly reporting system (QRS) introduced by the National Department of Health in 2003/04 for monitoring the implementation of its strategic plans, as well as the annual performance plans (APP's) of provincial departments of health has grown from strength to strength. This system also serves to identify areas where support is required and to provide timeously by National and Provincial Departments of Health and thus provide support to National Department of Health clusters and provincial departments of health where this is required.

For the financial year 2008/09, all nine Provinces (100%) submitted all four quarterly progress reports on the implementation of their APP's, as required. The submission rate of clusters at the national department of health hovered close to 100% during 2008/09, and reached 100% in the last quarter of the financial year. Data completeness and quality have also improved significantly over the years, although there are still a few challenges.

The national department of Health continued to analyse the data in the quarterly progress reports submitted, and compiled summary reports at the end of each quarter, reflecting both areas of good progress with the implementation of both national and provincial plans, as well as areas needing intervention.

The national department continued work with National Treasury in strengthening the quarterly reporting system. The two national departments continued to monitor a common set of 67 indicators, to alleviate the reporting burden on provinces. The departments compiled summary reports on the performance of provincial departments, which were sent back to provinces as feedback on their performance. On the 05 March 2008, the national departments convened a workshop with the department and national treasury, where it was agreed that to ensure data completeness, and to meet the tight time frames for submitting quarterly reports, provincial departments should provide actual data for the first two months of every quarter, and use data for these months to extrapolate figures for the third month of the quarter. This resolution was adopted by all parties, and has worked well.

The summary reports of progress with the implementation of the department of health strategic plan and the provincial APPs for 2008/09-2010/11 during all four quarters of 2008/09 are available from the national department.

To improve the quality and comprehensiveness quarterly non-financial data, the National Department of Health continued to implement the following mechanisms:

- Quarterly data received from provinces are sent to managers in the National Department of Health and provinces for verification to improve its quality
- Data triangulation with other sources of data is done by the national department of health, comparing data submitted by provincial departments of health to data in the District Health Information System (DHIS)
- Two dedicated officials in the National Department of Health focus on ensuring that provinces do submit data timeously
- Issues pertaining to the quarterly reports (challenges and good practices) are reported in the cluster's quarterly newsletter to provinces
- Issues pertaining to the quarterly reports are discussed with programme managers in the National Department of Health and their provincial counterparts during meetings of technical committees
- Analyses of the quarterly reports are presented to and discussed by the management committee meetings in the National Department of Health
- Analytic reports on the quarterly reports are sent to all senior managers in the National Department of Health.

14. SCOPA resolutions

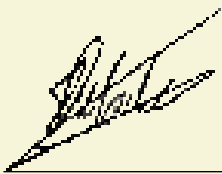
The department has not received any SCOPA resolutions yet for the 2007/08 financial year. Prior year resolutions have been dealt with.

15. Acknowledgements

I wish to express my appreciation to the Minister of Health as well as all members of staff for their hard work, loyalty and commitment in pursuing the objectives of National Department of Health.

16. Approval

The Annual Financial Statements set out on pages 144 to 208 have been approved by the Accounting Officer.



NAME: Mr TD Mseleku
TITLE: Director-General of Health
DATE: 28 May 2009

AUDIT COMMITTEE REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

NATIONAL DEPARTMENT OF HEALTH

REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2009.

Audit Committee members and attendance:

The audit committee consists of the members listed hereunder and meets 4 times per annum as per its approved terms of reference. During the current year, 6 meetings were held.

Name of member	Types and number of meetings attended		
	Normal	Special	Total meetings
Ms M Nyathi (Chairperson)	4	2	6
Adv. OC Mabaso	3	2	5
Mr. M Maliehe	3	2	5
Ms. VLP Malumbete	3	1	4
Ms. DM Matloa	4	1	5

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38 (1)(a) of the PFMA and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal control is designed to provide assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. Risk management unit has been established, however the Internal Audit unit is assisting with the facilitation of the risk management processes for the department until the risk management unit has sufficient capacity. From the various reports of the Internal Auditors and management letter of the Auditor-General South Africa, there has been some improvements, however, there are still challenges that needs to be addressed.

The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act

The Audit Committee has noted the improvement in the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer and the Department during the year under review. However, the committee still has concerns with the implementation of DORA framework.

The framework of performance information

The Internal Auditors and the Auditor-General South Africa have conducted audits on performance information, and from the reports of the auditors it has been noted that significant improvement is required.

Evaluation of financial statements

The Audit Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report;
- Reviewed the Auditor-General South Africa management letter and management's response thereto;
- Reviewed changes in the accounting policies and practices;
- Reviewed significant adjustments resulting from audit.

The Audit Committee concurs and accepts the Auditor-General South Africa conclusions on the annual financial statements, and is of the opinion that the annual financial statements be accepted and read together with the report of the Auditor-General South Africa.



Ms Mizeria Nyathi
Chairperson of the Audit Committee

Date: 29 July 2009

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE NO. 14: NATIONAL DEPARTMENT OF HEALTH FOR THE YEAR ENDED 31 MARCH 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the National Department of Health (NDoH) which comprise the appropriation statement, the statement of financial position as at 31 March 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 144 to 208.

The accounting officer's responsibility for the financial statements

2. The Accounting Officer is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting determined by the National Treasury as set out in accounting policy note 1.1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Division of Revenue Act (Act No. 2 of 2008) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for qualified opinion

Departmental Revenue

7. Included in note 2 to the financial statements is an amount of R29,7 million relating to revenue from the Medicines Control Council (MCC). I was unable to verify the accuracy, occurrence and classification of this revenue due to NDoH not having a system to reconcile application forms to the fees received. I was unable to perform alternative audit procedures to obtain reasonable assurance that the amounts received were for the MCC, that the amounts were accurate in relation to the services rendered and that the amounts received qualified to be classified as revenue.

Goods and Services

8. Included in note 5 to the annual financial statements is an amount of R23,2 million relating to travel and subsistence. The amount relates to costs incurred by the department for the use of vehicles in respect of the National Fleet Public Private Partnership project. The department does not have a system to enable the reconciliation of the payments for the use of vehicles under the National Fleet Public Private Partnership project to the supporting documentation. As a result, I was unable to confirm the amounts paid were an actual expense of the department. I was unable to perform alternative audit procedures to obtain reasonable assurance that the transactions related to this payment was authorised and was for the benefit of the department.

Qualified opinion

9. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the National Department of Health as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the PFMA and the DoRA.

Basis of accounting

10. Without further qualifying my opinion, I draw attention to accounting policy note 1.1, which describes the basis of accounting. The department's policy is to prepare financial statements on the modified cash basis of accounting determined by the National Treasury.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Material non-compliance with applicable legislation

Division of Revenue Act (DoRA)

11. Although the department has a control framework in place to monitor the respective conditional grants to the value of R14,028 billion transferred to the provinces, the department did not always adhere to the framework as:
- The monitoring of applicable conditional grants through quarterly visits and physical inspections by the department was inadequate due to capacity constraints.
 - The evaluation of information provided in the provincial reports to ensure the timeous identification of potential non-compliance with the conditions attached to the grants by the provinces was inadequate because the unexplained differences, errors and omissions that were identified during the audit was neither explained by the provinces nor investigated by the department.

Monitoring performed by the department was also ineffective due to the following:

- Late submission of business plans for specific conditional grants by the provinces, resulting in late submission by the department to National Treasury.
- Late or non-submission of monthly financial, quarterly and annual performance reports by the provinces, resulting in erroneous consolidated reports of the department.
- Significant inconsistencies in the information supplied in the monthly financial and quarterly performance reports by the provincial departments to the department.

Governance framework

12. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below.

Internal control deficiencies

13. Section 38(1)(a)(i) of the PFMA states that the accounting officer must ensure that the department has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for qualified opinion	CE	RA	CA	IC	M
7	Departmental Revenue	5		6		1
8	Goods and Services		3	5		1

14. The governance framework at the department is generally satisfactory. However there are shortcomings in the adequacy and appropriateness of risk assessments around financial accounting and reporting. These shortcomings result in inadequate policies and procedures being developed to address the attendant risks and inadequate monitoring and supervision of internal controls to assess their effectiveness over financial accounting and reporting.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3

M = Monitoring

Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

15. The PFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		✓
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		✓
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines in section 40 of the PFMA	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development of, and compliance with, risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The department had an audit committee in operation throughout the financial year. 	✓	
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 	✓	
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10 	✓	
7.	Internal audit	✓	
	<ul style="list-style-type: none"> The department had an internal audit function in operation throughout the financial year. 	✓	
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 	✓	
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2 	✓	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	✓	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	✓	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, was documented and used as set out in Treasury Regulation 3.2	✓	
12.	Powers and duties have been assigned, as set out in section 44 of the PFMA.	✓	

No.	Matter	Y	N
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	SCOPA resolutions have been substantially implemented.	✓	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the department against its mandate, predetermined objectives, outputs, indicators and targets Treasury Regulation 29.1	✓	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

16. Significant difficulties concerning the availability of requested information was experienced during the audit of revenue from the MCC. This was due to inadequate filing systems and the lack of reconciliations between the bank statements and the application forms.
17. The department made six significant amendments to financial statements. The amendments were due to inadequate monitoring of internal controls over financial reporting.
18. The audit findings relating to DoRA had been reported for a number of years and had not been adequately addressed. The department has inadequate staff numbers to ensure effective monitoring of the implementation of DoRA. The effectiveness of monitoring is further complicated by the constitutional separation of powers and functions between the national and provincial spheres of government.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Reporting on performance information

19. I have reviewed the performance information as set out on pages 8 to 96.

The accounting officer's responsibility for the performance information

20. The accounting officer has additional responsibilities as required by section 40(3)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the department.

The Auditor-General's responsibility

21. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.
22. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

Findings (Performance Information)

23. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the review findings reported below.

Reported performance information not reliable

24. The accuracy of the performance information relating to the activities of the provincial departments, as reported by NDoH, could not be determined due to the lack of a system to collate and verify the source documentation

to support the information received from the provincial departments.

APPRECIATION

25. The assistance rendered by the staff of the National Department of Health during the audit is sincerely appreciated.

Auditor - General

Pretoria

31 July 2009



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

**NATIONAL DEPARTMENT OF HEALTH
VOTE 14 ACCOUNTING POLICIES
for the year ended 31 March 2009**

The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 2 of 2006.

1. Presentation of the Financial Statements

1.1 Basis of preparation

The Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid.

1.2 Presentation currency

All amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the department.

1.3 Rounding

Unless otherwise stated all financial figures have been rounded to the nearest one thousand Rand (R'000).

1.4 Comparative figures

Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

1.5 Comparative figures - Appropriation Statement

A comparison between actual amounts and final appropriation per major classification of expenditure is included in the Appropriation Statement.

2. Revenue

2.1 Appropriated funds

Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the appropriated funds made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Total appropriated funds are presented in the Statement of Financial Performance.

Unexpended appropriated funds are surrendered to the National Revenue Fund. Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

2.2 Statutory Appropriation

Statutory appropriations are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the statutory appropriations made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Total statutory appropriations are presented in the Statement of Financial Performance.

Unexpended statutory appropriations are surrendered to the National Revenue Fund. Amounts owing to the National

Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

2.3 Departmental revenue

All departmental revenue is paid into the National Revenue Fund when received, unless otherwise stated. Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

Amounts receivable at the reporting date are disclosed in the disclosure notes to the annual financial statements.

2.3.1 Tax revenue

Tax revenue consists of all compulsory unrequited amounts collected by the department in accordance with laws and or regulations (excluding fines, penalties and forfeits).

Tax receipts are recognised in the Statement of Financial Performance when received.

2.3.2 Sales of goods and services other than capital assets

The proceeds received from the sale of goods and/or the provision of services is recognised in the Statement of Financial Performance when the cash is received.

2.3.3 Fines, penalties and forfeits

Fines, penalties and forfeits are compulsory unrequited amounts which were imposed by a court or quasi-judicial body and collected by the department. Revenue arising from fines, penalties and forfeits is recognised in the Statement of Financial Performance when the cash is received.

2.3.4 Interest, dividends and rent on land

Interest, dividends and rent on land is recognised in the Statement of Financial Performance when the cash is received.

2.3.5 Sale of capital assets

The proceeds received on sale of capital assets are recognised in the Statement of Financial Performance when the cash is received.

2.3.6 Financial transactions in assets and liabilities

Repayments of loans and advances previously extended to employees and public corporations for policy purposes are recognised as revenue in the Statement of Financial Performance on receipt of the funds.

Cheques issued in previous accounting periods that expire before being banked are recognised as revenue in the Statement of Financial Performance when the cheque becomes stale. When the cheque is reissued the payment is made from Revenue.

Forex gains are recognised on payment of funds.

2.3.7 Transfers received (including gifts, donations and sponsorships)

All cash gifts, donations and sponsorships are paid into the National Revenue Fund and recorded as revenue in the Statement of Financial Performance when received. Amounts receivable at the reporting date are disclosed in the disclosure notes to the financial statements.

All in-kind gifts, donations and sponsorships are disclosed at fair value in an annexure to the financial statements.

2.4 Direct Exchequer receipts

All direct exchequer receipts are recognised in the Statement of Financial Performance when the cash is received.

All direct exchequer payments are recognised in the Statement of Financial Performance when final authorisation for payment is effected on the system (by no later than 31 March of each year).

2.5 Aid assistance

Local and foreign aid assistance is recognised as revenue when notification of the assistance is received from the National Treasury or when the department directly receives the cash from the donor(s).

All in-kind local and foreign aid assistance are disclosed at fair value in the annexures to the annual financial statements

The cash payments made during the year relating to local and foreign aid assistance projects are recognised as expenditure in the Statement of Financial Performance. The value of the assistance expensed prior to the receipt of the funds is recognised as a receivable in the Statement of Financial Position

Inappropriately expensed amounts using local and foreign aid assistance and any unutilised amounts are recognised as payables in the Statement of Financial Position.

All CARA funds received must be recorded as revenue when funds are received. The cash payments made during the year relating to CARA earmarked projects are recognised as current or capital expenditure in the Statement of Financial Performance.

Inappropriately expensed amounts using CARA funds and any unutilised amounts are recognised as payables in the Statement of Financial Position.

3. Expenditure

3.1 Compensation of employees

3.1.1 Short-term employee benefits

Salaries and wages comprise payments to employees (including leave entitlements, thirteenth cheques and performance bonuses). Salaries and wages are recognised as an expense in the Statement of Financial Performance when final authorisation for payment is effected on the system (by no later than 31 March of each year). Capitalised compensation forms part of the expenditure for capital assets in the Statement of Financial Performance¹. All other payments are classified as current expense.

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the Statement of Financial Performance or Position.

3.1.2 Post retirement benefits

The department provides retirement benefits (pension benefits) for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions.

Employer contributions (i.e. social contributions) to the fund are expensed when the final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year). No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of the employer department.

The department provides medical benefits for certain of its employees. Employer contributions to the medical funds are expensed when final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year).

3.1.3 Termination benefits

Termination benefits such as severance packages are recognised as an expense in the Statement of Financial Performance as a transfer (to households) when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

¹ This accounting policy is only relevant where the department elects to capitalise the compensation paid to employees involved on capital projects

3.1.4 Other long-term employee benefits

Other long-term employee benefits (such as capped leave) are recognised as an expense in the Statement of Financial Performance as a transfer (to households) when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Long-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the Statement of Financial Performance or Position.

3.2 Goods and services

Payments made for goods and/or services are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). The expense is classified as capital if the goods and services were used for a capital project or an asset of R5000 or more is purchased. All assets costing less than R5000 will also be reflected under goods and services.

3.3 Interest and rent on land

Interest and rental payments are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount should be recorded under goods and services.

3.4 Financial transactions in assets and liabilities

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or underspending of appropriated funds. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but amounts are disclosed as a disclosure note.

Forex losses are recognised on payment of funds.

All **other losses** are recognised when authorisation has been granted for the recognition thereof.

3.5 Transfers and subsidies

Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

3.6 Unauthorised expenditure

When discovered unauthorised expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

Unauthorised expenditure approved with funding is recognised in the Statement of Financial Performance when the unauthorised expenditure is approved and the related funds are received. Where the amount is approved without funding it is recognised as expenditure, subject to availability of savings, in the Statement of Financial Performance on the date of approval.

3.7 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as expenditure in the Statement of Financial Performance. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

3.8 Irregular expenditure

Irregular expenditure is recognised as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable in

the Statement of Financial Performance.

3.9 Expenditure for capital assets

Payments made for capital assets are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

4. Assets

4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at cost.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprises of cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

4.2 Other financial assets

Other financial assets are carried in the Statement of Financial Position at cost.

4.3 Prepayments and advances

Amounts prepaid or advanced are recognised in the Statement of Financial Position when the payments are made.

Pre-payments and advances outstanding at the end of the year are carried in the Statement of Financial Position at cost.

4.4 Receivables

Receivables included in the Statement of Financial Position arise from cash payments made that are recoverable from another party.

Receivables outstanding at year-end are carried in the Statement of Financial Position at cost plus any accrued interest.

4.5 Investments

Capitalised investments are shown at cost in the Statement of Financial Position. Any cash flows such as dividends received or proceeds from the sale of the investment are recognised in the Statement of Financial Performance when the cash is received.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any loss is included in the disclosure notes.

4.6 Loans

Loans are recognised in the Statement of Financial Position at the nominal amount when cash is paid to the beneficiary. Loan balances are reduced when cash repayments are received from the beneficiary. Amounts that are potentially irrecoverable are included in the disclosure notes.

Loans that are outstanding at year-end are carried in the Statement of Financial Position at cost..

4.7 Inventory

Inventories purchased during the financial year are disclosed at cost in the notes.

4.8 Capital assets

4.8.1 Movable assets

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition.

Where the cost cannot be determined accurately, the movable capital asset is stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at R1.

Subsequent expenditure of a capital nature is recorded in the Statement of Financial Performance as “expenditure for capital asset” and is capitalised in the asset register of the department on completion of the project.

Repairs and maintenance is expensed as current “goods and services” in the Statement of Financial Performance.

4.8.2 Immovable assets

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the immovable capital asset is stated at R1 unless the fair value for the asset has been reliably estimated.

Work-in-progress of a capital nature is recorded in the Statement of Financial Performance as “expenditure for capital asset”. On completion, the total cost of the project is included in the asset register of the department that legally owns the asset or the provincial/national department of public works.

Repairs and maintenance is expensed as current “goods and services” in the Statement of Financial Performance.

5. Liabilities

5.1 Voted funds to be surrendered to the Revenue Fund

Unexpended appropriated funds are surrendered to the National/Provincial Revenue Fund. Amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

5.2 Departmental revenue to be surrendered to the Revenue Fund

Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position at cost.

5.3 Direct Exchequer receipts to be surrendered to the Revenue Fund

All direct exchequer fund receipts are recognised in the Statement of Financial Performance when the cash is received.

Amounts received must be surrendered to the relevant revenue fund on receipt thereof. Any amount not surrendered at year end is reflected as a current payable in the Statement of Financial Position.

5.4 Bank overdraft

The bank overdraft is carried in the Statement of Financial Position at cost.

5.5 Payables

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are recognised at historical cost in the Statement of Financial Position.

5.6 Contingent liabilities

Contingent liabilities are included in the disclosure notes to the financial statements.

5.7 Commitments

Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are included in the disclosure notes.

5.8 Accruals

Accruals are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are included in the disclosure notes.

5.9 Employee benefits

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the Statement of Financial Performance or the Statement of Financial Position.

5.10 Lease commitments

Finance leases

Finance leases are not recognised as assets and liabilities in the Statement of Financial Position. Finance lease payments are recognised as an expense in the Statement of Financial Performance and are apportioned between the capital and the interest portions. The finance lease liability is disclosed in the disclosure notes to the financial statements.

Operating leases

Operating lease payments are recognised as an expense in the Statement of Financial Performance. The operating lease commitments are disclosed in the disclosure notes to the financial statements.

6. Receivables for departmental revenue

Receivables for departmental revenue are disclosed in the disclosure notes to the annual financial statements.

7. Net Assets

7.1 Capitalisation reserve

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the Statement of Financial Position for the first time in the current reporting period. Amounts are transferred to the National Revenue Fund on disposal, repayment or recovery of such amounts.

7.2 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year.

8. Related party transactions

Specific information with regards to related party transactions is included in the disclosure notes.

9. Key management personnel

Compensation paid to key management personnel including their family members where relevant, is included in the disclosure notes.

10. Public private partnerships

A description of the PPP arrangement, the contract fees and current and capital expenditure relating to the PPP arrangement is included in the disclosure notes.

**NATIONAL DEPARTMENT OF HEALTH
VOTE 14**

**APPROPRIATION STATEMENT
for the year ended 31 March 2009**

APPROPRIATION STATEMENT	Appropriation per programme									
	2008/09					2007/08				
	Adjusted Ap- propriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appro- priation	Final Appropriation	Actual Expenditure	
R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		
1. Administration										
Current payment	220 321	-	(1 843)	218 478	218 617	(139)	100.1%	210 402	206 184	
Transfers and subsidies	279	-	79	358	355	3	99.2%	430	426	
Payment for capital assets	26 078	-	-	26 078	22 041	4037	84.5%	18 766	7 018	
2. Strategic Health Programmes										
Current payment	434 477	-	(28 142)	406 335	405 545	790	99.8%	374 722	300 466	
Transfers and subsidies	3 740 801	-	5 090	3 745 891	3 709 125	36 766	99.0%	2 923 668	2 783 748	
Payment for capital assets	14 663	-	-	14 663	14 815	(152)	101.0%	18 651	12 054	
3. Health Planning and Monitoring										
Current payment	89 084	-	5 102	94 186	94 806	(620)	100.7%	77 220	78 271	
Transfers and subsidies	242 286	-	3 029	245 315	245 314	1	100.0%	229 661	229 641	
Payment for capital assets	2 758	-	-	2 758	2 029	729	73.6%	2 626	1 214	
4. Human Resources Management and Development										
Current payment	32 897	-	3 423	36 320	26 124	10 196	71.9%	21 927	17 161	
Transfers and subsidies	1 679 061	-	1	1 679 062	1 679 062	-	100.0%	1 596 199	1 596 199	
Payment for capital assets	808	-	-	808	159	649	19.7%	665	218	
5. Health Services										
Current payment	87 312	-	(3 429)	83 883	75 793	8 090	90.4%	74 887	63 181	
Transfers and subsidies	9 197 102	-	40	9 197 142	8 872 212	324 930	96.5%	7 465 475	7 401 646	
Payment for capital assets	2 917	-	-	2 917	1 880	1 037	64.4%	2 777	1 016	
6. International Relations, Health Trade and Health Product Regulation										
Current payment	79 630	-	16 580	96 210	96 086	124	99.9%	71 942	63 773	
Transfers and subsidies	-	-	70	70	70	-	100.0%	68	68	
Payment for capital assets	695	-	-	695	437	258	62.9%	1 050	449	
Subtotal	15 851 169	-	-	15 851 169	15 464 470	386 699	97.6%	13 091 136	12 762 733	
TOTAL	15 851 169	-	-	15 851 169	15 464 470	386 699	97.6%	13 091 136	12 762 733	

**NATIONAL DEPARTMENT OF HEALTH
VOTE 14**

**APPROPRIATION STATEMENT
for the year ended 31 March 2009**

	2008/09		2007/08	
	Final Appropriation	Actual Expenditure	Final Appropriation	Actual Expenditure
TOTAL (brought forward)	15 851 169	15 464 470	13 091 136	12 762 733
Reconciliation with statement of financial performance				
ADD				
Departmental receipts	31 188		41 193	
Aid assistance	146 024		171 643	
Actual amounts per statement of financial performance (total revenue)	16 028 381		13 303 972	
ADD				
Aid assistance		193 130		98 451
Actual amounts per statement of financial performance (total expenditure)		15 657 600		12 861 184

**NATIONAL DEPARTMENT OF HEALTH
VOTE 14**

**APPROPRIATION STATEMENT
for the year ended 31 March 2009**

	Appropriation per economic classification									
	2008/09					2007/08				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure	
R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		
Current payments										
Compensation of employees	287 674	-	4 900	292 574	292 507	67	100.0%	258 826	258 605	
Goods and services	656 047	-	(13 209)	642 838	624 266	18 572	97.1%	572 274	470 340	
Financial transactions in assets and liabilities	-	-	-	-	198	(198)	-	-	91	
Transfers and subsidies										
Provinces and municipalities	14 362 786	-	-	14 362 786	14 028 675	334 111	97.7%	11 736 678	11 552 732	
Departmental agencies and accounts	312 917	-	3 000	315 917	315 916	1	100.0%	304 851	301 884	
Universities and technikons	1 000	-	-	1 000	733	267	73.3%	1 000	400	
Non-profit institutions	182 526	-	5 000	187 526	160 209	27 317	85.4%	172 287	156 033	
Households	300	-	309	609	605	4	99.3%	685	679	
Payments for capital assets										
Buildings and other fixed structures	-	-	-	-	-	-	-	4 734	-	
Machinery and equipment	47 919	-	-	47 919	41 361	6 558	86.3%	39 501	21 683	
Software and other intangible assets	-	-	-	-	-	-	-	300	286	
Total	15 851 169	-	-	15 851 169	15 464 470	386 699	97.6%	13 091 136	12 762 733	

**NATIONAL DEPARTMENT OF HEALTH
VOTE 14**

**APPROPRIATION STATEMENT
for the year ended 31 March 2009**

DETAIL PER PROGRAMME 1: ADMINISTRATION

Detail per sub-programme	2008/09						2007/08		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000
1.1 Minister									
Current payment	1 019	-	100	1 119	1 119	-	100.0%	951	951
1.2 Deputy Minister									
Current payment	828	-	-	828	565	263	68.2%	275	275
1.3 Management									
Current payment	24 564	-	(2 403)	22 161	22 428	(267)	101.2%	20 526	19 563
Transfers and subsidies	-	-	32	32	31	1	96.9%	5	4
Payment for capital assets	283	-	-	283	442	(159)	156.2%	269	123
1.4 Corporate Services									
Current payment	152 344	-	460	152 804	152 940	(136)	100.1%	149 986	147 206
Transfers and subsidies	279	-	47	326	324	2	99.4%	425	422
Payment for capital assets	25 795	-	-	25 795	21 599	4 196	83.7%	18 497	6 895
1.5 Property Management									
Current payment	41 566	-	-	41 566	41 565	1	100.0%	38 664	38 189
Total	246 678	-	(1 764)	244 914	241 013	3 901	98.4%	229 598	213 628

**NATIONAL DEPARTMENT OF HEALTH
VOTE 14**

**APPROPRIATION STATEMENT
for the year ended 31 March 2009**

DETAIL PER PROGRAMME 1: ADMINISTRATION

Programme 1 Per Economic classification	Statutory Appropriation per economic classification									
	2008/09					2007/08				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure	
R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	
Current payments										
Compensation of employees	84 321	-	2 353	86 674	86 674	-	100.0%	75 649	75 571	
Goods and services	136 000	-	(4 196)	131 804	131 802	2	100.0%	134 753	130 576	
Financial transactions in assets and liabilities	-	-	-	-	141	(141)	-	-	37	
Transfers and subsidies										
Departmental agencies and accounts	279	-	-	279	278	1	99.6%	252	252	
Households	-	-	79	79	77	2	97.5%	178	174	
Payments for capital assets										
Buildings and other fixed structures	-	-	-	-	-	-	-	4 734	-	
Machinery and equipment	26 078	-	-	26 078	22 041	4 037	84.5%	13 982	6 972	
Software and other intangible assets	-	-	-	-	-	-	-	50	46	
Total	246 678	-	(1 764)	244 914	241 013	3 901	98.4%	229 598	213 628	

**NATIONAL DEPARTMENT OF HEALTH
VOTE 14**

**APPROPRIATION STATEMENT
for the year ended 31 March 2009**

DETAIL PER PROGRAMME 2 : STRATEGIC HEALTH PROGRAMME

Detail per sub-programme	2008/09						2007/08		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
2.1 Maternal, Child and Women's Health									
Current payment	23 572	-	(193)	23 379	23 378	1	100.0%	21 089	19 146
Transfers and subsidies	1 030	-	-	1 030	-	1 030	0%	983	653
Payment for capital assets	403	-	-	403	171	232	42.4%	386	168
2.2 HIV and AIDS and STI's									
Current payment	348 177	-	(28 089)	320 088	320 087	1	100.0%	296 876	228 945
Transfers and subsidies	3 059 564	-	5 002	3 064 566	3 039 299	25 267	99.2%	2 170 633	2 155 281
Payment for capital assets	3 048	-	-	3 048	392	2 656	12.9%	2 890	891
2.3 Communicable Diseases									
Current payment	8 079	-	(175)	7 904	7 900	4	99.9%	5 840	5 181
Transfers and subsidies	-	-	-	-	-	-	-	14	14
Payment for capital assets	370	-	-	370	171	199	46.2%	351	58
2.4 Non-Communicable Diseases									
Current payment	45 505	-	2 034	47 539	46 762	777	98.4%	42 916	40 975
Transfers and subsidies	676 624	-	11	676 635	666 167	10 468	98.5%	748 692	624 888
Payment for capital assets	10 700	-	-	10 700	14 045	(3 345)	131.3%	14 890	10 842
2.5 TB Control and Management									
Current payment	9 144	-	(1 719)	7 425	7 418	7	99.9%	8 001	6 219
Transfers and subsidies	3 583	-	77	3 660	3 659	1	100.0%	3 346	2 912
Payment for capital assets	142	-	-	142	36	106	25.4%	134	95
Total	4 189 941		(23 052)	4 166 889	4 129 485	37 404	99.1%	3 317 041	3 096 268

**NATIONAL DEPARTMENT OF HEALTH
VOTE 14**

**APPROPRIATION STATEMENT
for the year ended 31 March 2009**

DETAIL PER PROGRAMME 2: STRATEGIC HEALTH PROGRAMMES

Programme 2 Per Economic classification	Statutory Appropriation per economic classification								
	2008/09				2007/08				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	68 903	-	1 270	70 173	70 150	23	100.0%	63 906	63 187
Goods and services	365 574	-	(29 412)	336 162	335 391	771	99.8%	310 816	237 279
Financial transactions in as- sets and liabilities	-	-	-	-	4	(4)	-	-	-
Transfers and subsidies									
Provinces and municipalities	3 490 104	-	-	3 490 104	3 479 897	10 207	99.7%	2 678 643	2 558 045
Departmental agencies and accounts	70 623	-	-	70 623	70 623	-	100.0%	75 038	72 071
Universities and technikons	1 000	-	-	1 000	733	267	73.3%	1 000	400
Non-profit institutions	178 874	-	5 000	183 874	157 583	26 291	85.7%	168 809	153 055
Households	200	-	90	290	289	1	99.7%	178	177
Payments for capital assets									
Machinery and equipment	14 663	-	-	14 663	14 815	(152)	101.0%	18 471	11 877
Software and other intangible assets	-	-	-	-	-	-	-	180	177
Total	4 189 941	-	(23 052)	4 166 889	4 129 485	37 404	99.1%	3 317 041	3 096 268

**NATIONAL DEPARTMENT OF HEALTH
VOTE 14**

**APPROPRIATION STATEMENT
for the year ended 31 March 2009**

DETAIL PER PROGRAMME 3: HEALTH PLANNING AND MONITORING

Detail per sub-programme	2008/09					2007/08			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000
3.1 Health Information Research and Evaluation									
Current payment	23 171	-	2 405	25 576	25 872	(296)	101.2%	24 001	24 782
Transfers and subsidies	236 135	-	3 012	239 147	239 146	1	100.0%	226 293	226 272
Payment for capital assets	1 456	-	-	1 456	1 426	30	97.9%	1 317	332
3.2 Financial Planning and Health Economics									
Current payment	20 891	-	(2 574)	18 317	18 100	217	98.8%	16 254	12 433
Transfers and subsidies	6 151	-	-	6 151	6 151	-	100.0%	3 324	3 324
Payment for capital assets	308	-	-	308	196	112	63.6%	364	250
3.3 Pharmaceutical Policy and Planning									
Current payment	15 460	-	(1 744)	13 716	13 673	43	99.7%	13 456	14 104
Transfers and subsidies	-	-	-	-	-	-	-	38	39
Payment for capital assets	285	-	-	285	225	60	78.9%	270	251
3.4 Office of Standards Compliance									
Current payment	29 562	-	7 015	36 577	37 161	(584)	101.6%	23 509	26 952
Transfers and subsidies	-	-	17	17	17	-	100.0%	6	6
Payment for capital assets	709	-	-	709	182	527	25.7%	675	381
Total	334 128	-	8 131	342 259	342 149	110	100.0%	309 507	309 126