# ANNUAL REPORT
# 2020/21

## A better healthcare system for all

OHSC

Office of Health Standards Compliance

Ensuring quality and safety in health care

# PART A: GENERAL INFORMATION



# PART B: PERFORMANCE INFORMATION

# PART C: GOVERNANCE



# PART D: HUMAN RESOURCES



# PART E: FINANCIAL INFORMATION

# PART A:
# GENERAL INFORMATION

# GENERAL INFORMATION

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|---|---|
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| **EXTERNAL AUDITORS:** | Auditor-General of South Africa<br>PO Box 446<br>Pretoria<br>0001 |
| **BANKERS:** | Standard Bank |
| **CHAIRPERSON OF BOARD:** | Dr E Kenoshi |
| **CHIEF EXECUTIVE OFFICER:** | Dr S Mndaweni |
| **BOARD SECRETARY:** | Mrs PK Padayachee |

# LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| **AFS** | Annual financial statements |
| **AGSA** | Auditor-General of South Africa |
| **APP** | Annual performance plan |
| **ARF Committee** | Audit Risk and Finance Committee |
| **AU** | African Union |
| **B-BBEE** | Broad-based black economic empowerment |
| **BHPSA** | Better Health Programme South Africa |
| **CEO** | Chief Executive Officer |
| **CFO** | Chief Financial Officer |
| **EWS** | Early warning system |
| **GCIS** | Government Communication and Information System |
| **ICT** | Information and communication technology |
| **m (preceded by number)** | Million |
| **MEC** | Member of the Executive Council |
| **MTEF** | Medium-Term Expenditure Framework |
| **NCS** | National Core Standards |
| **NDoH** | National Department of Health |
| **NDP** | National Development Plan |
| **NHA** | National Health Act |
| **NHAA** | National Health Amendment Act |
| **NHI** | National Health Insurance |
| **NPQ** | National Policy on Quality in Healthcare |
| **OHSC** | Office of Health Standards Compliance |
| **PAIA** | Promotion of Access to Information Act |
| **PFMA** | Public Finance Management Act |
| **PHC** | Primary healthcare |
| **POPIA** | Protection of Personal Information Act |
| **PPPFA** | Preferential Procurement Policy Framework Act |
| **SDGs** | Sustainable Development Goals |
| **SMMEs** | Small, medium and micro enterprises |
| **TR** | Treasury Regulations |

# FOREWORD BY THE CHAIRPERSON

The current Board assumed its responsibilities in February 2020 and members took up their duties with vigour and a sense of eagerness. Meetings during 2020/21 exceeded those required in terms of the Board calendar as we strove to provide guidance to management in fulfilling its regulatory role in the unique and difficult context of the COVID-19 pandemic.

In order to lay the foundation for effective governance, the Board reviewed all instruments pertaining to its functioning and that of its sub-committees and amended these as necessary.

During the course of the year, the Board was tasked with realigning the organisation's Strategic Plan 2020 – 2025 with guidelines developed by the Department of Planning, Monitoring and Evaluation, which aims to provide an over-arching framework for monitoring service delivery by all public sector structures. The Board continued to provide management with strategic direction.

Arguably the biggest strategic challenge facing the OHSC is how to progress in terms of fulfilling its mandate – particularly the compliance inspection and certification functions – with very limited resources. The Board and management have been actively engaged in considering options for more efficient operations and increased output. These include the possibility of decentralising its operations to reduce the time and cost incurred by inspectors in covering health institutions in all provinces.

The Board also provided substantial strategic input on the Office's Compliance Framework which will be finalised in the new financial year.

I am pleased to be able to report that the Auditor-General has given the OHSC a clean bill of financial health for 2020/21. The achievement of an unqualified audit report is a critical element in building public confidence in the OHSC and its ability to perform its functions in an ethical and effective manner.

The COVID-19 pandemic impacted quite considerably on the OHSC and also, to some extent, on the Board. It was relatively simple to adopt the "new normal" of holding most meetings virtually. We also strove to give moral support to the Office's management and staff as they contributed to the national effort of commissioning additional facilities for the treatment, isolation and quarantining of COVID-affected individuals and attempted to meet their scheduled performance targets under difficult conditions. The Board received regular updates on the impact of the pandemic on OHSC staff members and on implementation of the organisation's COVID-19 response plan.

On behalf of the Board, I would like to thank the Minister of Health, as the OHSC's Executive Authority, for sustaining his support and guidance to the OHSC during this demanding period. We would also like to thank the National Health Council, the Director-General of Health and relevant managers in the national Department of Health for facilitating the application of the OHSC's mandate to more categories of health establishments through the development of relevant regulations.

**Dr Ernest Kenoshi**
**Chairperson of the Board**

29 July 2021

# CHIEF EXECUTIVE OFFICER'S OVERVIEW

The year April 2020 to March 2021 was an unforgettable period, experienced in a unique way by individuals and organisations in the health sector. The COVID-19 pandemic impacted on the Office of Health Standards Compliance (OHSC) both directly and indirectly, through the health establishments which the Office regulates. The health system as a whole staggered under the weight of mass testing for COVID-19, health promotion and caring for large numbers of severely ill people within a short space of time.

As the national health system readied itself for this unprecedented demand for care in the autumn of 2020, the OHSC reprioritised its responsibilities and applied itself to ensuring that newly established COVID-19 field hospitals and quarantine and isolation facilities met the minimum standards for providing safe, quality care.

We also strove to sustain our normal functions which fall into three broad categories:

- Inspecting health establishments to establish whether they meet prescribed norms and standards and subsequently either certifying them as compliant or embarking on a process to ensure they become compliant.
- Receiving, assessing and – where necessary – investigating complaints from the public about poor quality of care experienced.
- Laying the groundwork for an increasing range of health establishments to be included in inspection and certification processes. This is achieved by researching appropriate norms and standards for particular types of health establishments and making recommendations to the Minister of Health for the formal proclamation of such norms and standards.

Work scheduled for the year in all three areas was disrupted, partly because of the restrictions imposed initially by the National State of Disaster regulations, partly to protect our staff and largely because those at the rockface of health service delivery were totally focused on preventing disease and saving lives. There could be no diversion of their energies until the volume of disease abated and a semblance of normality was temporarily restored.

Arguably the greatest disruption was experienced by the Compliance Inspectorate and the Certification and Enforcement Unit, which work closely to achieve compliance with regulated health norms and standards.

Because the first norms and standards for various categories of health establishments had only been promulgated by the Minister of Health in 2018 and came into effect the next year, the 2019/20 financial year was the OHSC's first opportunity to drive the full inspection-compliance-certification process. It was a valuable learning period that threw up considerable challenges. Just 5% of health establishments inspected in 2019/20 proved immediately certifiable, while the rest were sent compliance notices and needed, in many cases, to undergo reinspection to establish whether compliance notices had been heeded.

Accordingly, in its performance plan for 2020/21, the Inspectorate indicated it would trim new inspections to about 382 and conduct all the necessary reinspections. Given the restrictions applicable under the COVID-19 National State of Disaster, it only became possible to commence compliance inspections in the third quarter of the financial year. Furthermore, the team undertaking inspections was reduced

# CHIEF EXECUTIVE OFFICER'S OVERVIEW CONTINUED

to half its normal strength because many staff members were classified as high risk in terms of COVID-19 and were confined to desk work. Despite these constraints, we are proud to say that all scheduled inspections were completed within half a year by a half-strength team. However, reinspection was reluctantly put on the back burner – where it remained for the rest of the year.

When it came to the Complaints Management Unit and Office of the Ombud, the picture was somewhat different. The OHSC received its highest number of complaints to date in 2020/21 and some of them related specifically to the quality of care experienced by patients admitted to hospitals with COVID-19. Most complaints can be resolved by long-distance engagement with the complainant and the relevant health establishment. These were dealt with efficiently in 2020/21. However, more serious and complex complaints not only require skilled investigators – and, in some cases the leadership of the Health Ombud – but they usually demand in situ inspections as part of the investigation process.

Every effort was made to press ahead with investigations related to COVID-19 care, despite the operational constraints, because of the possible impact of our intervention on the care of other COVID patients.

In January, the Ombud delivered his report on the care of Mr Shonisani Lethole at Tembisa Hospital, Gauteng and the circumstances of his death. The investigation concluded there were multiple breaches of basic standards of care and, had some of these been avoided, the outcome might have been different. The report of the Ombud observed "there was a complete mismatch between the severity of (Mr Lethole's) medical condition and the level and environment of his care". The failings were both systemic and of an individual professional nature, the investigation concluded, and recommendations were aimed at holding both hospital management and individuals – from doctors and nurses to food service staff – accountable for their actions.

Additional COVID-related investigations were concluded during the year and preliminary reports prepared. The principles of natural justice that underpin the investigation process require that all parties who are potentially implicated have an opportunity to respond to provisional findings prior to finalisation and publication of the report. This process was still underway at year-end.

In terms of advising the Minister on norms and standards applicable to additional categories of health establishment,

"Every effort was made to press ahead with investigations related to COVID-19 care, despite the operational constraints, because of the possible impact of our intervention on the care of other COVID patients.

the focus during this year was on preparing to regulate the quality of emergency medical services (EMS) in both the public and private sectors. Ambulances and emergency response teams operate at the margin of life and death, and there is a high level of public interest in the efficacy of these services. Additionally, EMS workers operate in stressful, difficult and often dangerous situations and their safety is also a matter of concern to the OHSC.

During the course of 2020/21, the OHSC engaged in the development of minimum standards of care applicable to EMS and made recommendations to the Minister of Health. This resulted in the Minister publishing draft regulations on norms and standards for EMS and inviting public comment in February 2021. As always, the OHSC's input referenced existing regulations on norms and standards and was based partly on international good practice and partly on engagement with operators of EMS. We make every effort to ensure that standards are realistic and relevant to operational settings, that they effectively safeguard the users of health establishments, and ensure good, essential care.

Another priority during 2020/21 was preparing for the introduction of inspections of private general medical practices. Since GPs are primary healthcare providers, they are catered for in the norms and standards that already exist for primary healthcare facilities. However, the tools that OHSC inspectors will use to determine whether the norms and standards are being met by GPs need to be created with their unique practice conditions in mind. Once again, this was a consultative process and which was expected to be concluded in the following financial year.

# CHIEF EXECUTIVE OFFICER'S OVERVIEW CONTINUED

At the OHSC we are ever-conscious that we are part of a much larger national project to ensure universal access to healthcare of good quality. The extent to which we fulfil our mandate impacts on other organisations harnessed to the same purpose – including a whole range of health sector regulators, national legislators and the national Health Department (NDoH). At the centre of this effort is the envisioning and construction of the system of National Health Insurance (NHI).

We are keenly aware that the contracting of private and public healthcare providers by the planned NHI Fund will depend, in part, on healthcare providers attaining certification by the OHSC. In order to certify the required number of health establishments, the OHSC will – beyond any doubt – need to speed up the pace of inspection and certification significantly. This will require both increased financial and human resources and smarter use of the resources at our disposal.

During the current reporting period, as a result of the economic blow dealt by COVID-19, the OHSC, like most government departments and public entities, received from National Treasury a grant somewhat smaller than the amount indicated in the national budget of February 2020. We managed to live within that allocation – but only because our operations were constrained by COVID. The longer-term view of the Office's income and expenditure reveals repeated over-spending. This and the fact that only 52% of the posts on Office's approved organogram are filled, speak clearly to the under-funding of the OHSC.

I would be derelict in my duty if I did not highlight the disjuncture between resources, current performance and fulfilment of a mandate that impacts critically on the transformation of the national health system. But I would be equally culpable if the organisation failed to take constructive measures to address the situation.

During 2020/21 the OHSC began to explore how to make smarter use of available resources. The Office now has enough experience to understand where its processes are efficient and where they require disproportionate effort and create bottlenecks. We see more clearly the level of skill and staffing required for different functions. In short, we are in a position to consider re-engineering the organisation for higher productivity – without sacrificing the reliability of our findings or risking our credibility. This process got underway during 2020, with the support of the UK government's Better Health Programme South Africa, which afforded access to a range of expertise. The OHSC Board had provided significant guidance and its counsel will continue to be invaluable as the process unfolds.

I would like to thank the Chairperson and members of the Board for their considerable investment of time and intellectual energy in guiding and overseeing the OHSC. Significant decisions had to be taken during this extraordinary year and it was invaluable to have a Board that maintains a consistent finger on the pulse.

I would also like to express my appreciation to the management team and staff members of the OHSC who displayed resilience and a will to keep working. Your efforts ensured that the OHSC remained on track (travelling a bit slowly) despite the disorganisation of life as we had previously known it.

**Dr Siphiwe Mndaweni**
**Chief Executive Officer**

29 July 2021

# STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY



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

All information and amounts disclosed in the Annual Report are consistent with the annual financial statements audited by the Auditor-General.

The Annual Report is complete, accurate and free from omissions.

The Annual Report has been prepared in accordance with the relevant guidelines issued by National Treasury.

The annual financial statements (Part E) have been prepared in accordance with the Public Finance Management Act (No 1 of 1999, as amended) (PFMA) and financial accounting standards applicable to public entities.

The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgments made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance of the integrity and reliability of performance information, human resources information and the annual financial statements.

The role of the external auditors is to express an independent opinion on the annual financial statements.

In our opinion, the Annual Report fairly reflects the operations, performance, human resources capacity and financial affairs of the OHSC for the financial year ended 31 March 2021.

**Dr Siphiwe Mndaweni**
**Chief Executive Officer**

29 July 2021

**Dr Ernest Kenoshi**
**Chairperson of the Board**

29 July 2021

# STRATEGIC OVERVIEW

## Our vision

Consistent, safe and quality healthcare for all.

## Our mission

We monitor and enforce healthcare safety and quality standards in health establishments independently, impartially, fairly, and fearlessly on behalf of healthcare users.

## Our values

The OHSC's corporate values are shaped by ethical considerations and constitute guiding principles that govern the actions of all employees. OHSC staff members are required to maintain the highest standards of integrity at all times and our values – listed below – ensure there is no doubt of what is required of them.

**Human dignity**

We have respect for human individuality and treat each individual as a unique human being.

**Accountability**

We take responsibility for our results and outcomes.

**Transparency**

We operate in a way that creates openness between managers and employees.

**Quality healthcare**

Quality healthcare means doing the right thing, at the right time, in the right way, for the right person – and having the best possible results.

**Safety**

We maintain a safe and healthy workplace for all employees in compliance with all applicable laws and regulations, and promote a positive attitude towards safety.

**Integrity**

We conduct ourselves with openness, honesty and respect for all stakeholders.

# LEGISLATIVE AND OTHER MANDATES

The OHSC was established under the National Health Amendment Act (No 12 of 2013) (NHAA) to promote and protect the health and safety of users of health services.

The OHSC is listed as a Schedule 3A public entity in terms of the PFMA.

The organisation's mandate derives from the Constitution – particularly sections 9, 12 and 27, the NHAA and various other national laws, regulations and policies. These are briefly described below.

## Legislative mandates

### Constitution of the Republic of South Africa (Act No 108 of 1996)

The Bill of Rights, which forms part of the Constitution, underpins the entire health system. Section 27 establishes a universal right to have access to healthcare services, including reproductive health services. It states categorically that nobody may be refused emergency medical treatment. The Constitution requires the state to take reasonable legislative and other measures, within available resources, to achieve the progressive realisation of access to healthcare.

Section 27 also provides that everyone has the right to have access to sufficient food and water, and to social security, including appropriate social assistance if they are unable to support themselves and their dependents.

The above constitutional provisions inform other pieces of legislation that establish, define and shape the functioning of the OHSC.

### The National Health Act (No 61 of 2003)

The National Health Act (NHA) reaffirms the constitutional right to access health services and protects service users against unjust administrative action.

Section 18 allows any user of health services to lay a complaint about treatment received at a health establishment. The NHA obliges provincial Members of the Executive Councils (MECs) to establish procedures for dealing with complaints at health facilities within their areas of jurisdiction.

The NHA also envisages a national healthcare system, incorporating public, private and non-profit service providers, and defines the roles and responsibilities of various role-players. It provides for community participation in healthcare delivery from health facility level to national level.

> "A **health establishment** is a public or private institution, facility, building or place, or part thereof, that is operated or designed to provide in-patient or out-patient treatment, diagnostic or therapeutic interventions, nursing, rehabilitative, palliative, convalescent, preventive or other health services."
>
> **- National Health Amendment Act**

### National Health Amendment Act (No 12 of 2013)

Chapter 10 of the NHA, which related to the OHSC but had not been brought into effect, was repealed in its entirety through the promulgation of the NHAA. This new legislation introduced extensive provisions on the OHSC and effectively created the regulatory body.

Section 78 of the NHAA states that the objective of the OHSC is to protect and promote the health and safety of users of health services by:

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

In terms of Section 79 of the NHAA, the OHSC must:

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

# LEGISLATIVE AND OTHER MANDATES CONTINUED

In addition, the OHSC may:

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

The provisions of the NHAA are enabled by the promulgation of regulations, as indicated below.

## Regulations setting norms and standards for categories of health establishment

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

- Public sector hospitals, as set out Government Gazette 35101.
- Public sector clinics.
- Public sector community health centres (CHCs).
- Private sector acute hospitals.
- Private sector primary healthcare (PHC) clinics and centres.
- General practitioners.

## Procedural regulations for the functioning of the OHSC and the Ombud

These regulations guide the exercise of powers conferred on the OHSC, including its Board members, Chief Executive Officer, the Ombud, inspectors and investigators. The regulations cover the following areas:

- Collection of information from health establishments.
- Designation of the person in charge of norms and standards at health establishments and definition of his/her responsibilities.
- Appointment, training and expertise of inspectors.
- The routine inspection process and timelines.
- Additional types of inspections.
- Entry and search of premises, including prior-consent procedures or the application for a warrant.
- Processes for certification, and the renewal and suspension of certification.
- The conduct of formal hearings where sanctions are contemplated.
- Compliance notices and the enforcement process, including formal hearings, revocation of certificates, imposition of fines, appeals procedures and referral to the prosecuting authority.
- Procedures for the lodging of complaints and their screening and investigation.
- Mandatory reporting on the activities of the OHSC.

## Public Finance Management Act (No 1 of 1999)

The OHSC is classified as a Schedule 3A public entity in terms of the Public Finance Management Act (PFMA) and is therefore subject to relevant provisions of the Act, which aims to foster professional and ethical financial management throughout the public sector. Sections 50 and 51 respectively set out the fiduciary duties and responsibilities of accounting authorities.

## Protection of Personal Information Act (No 4 of 2013)

The purpose of the Protection of Personal Information Act (POPIA) is to ensure that all South African institutions conduct themselves responsibly when collecting, processing, storing, and sharing personal information. It holds organisations accountable should they abuse or compromise personal information in any way. POPIA regards personal information as "precious goods" and confers on owners of personal information certain rights of protection. Individual consent is required for sharing of personal information and the nature and extent of sharing must be clear. POPIA provides for:

- The transparent and accountable use of the data.
- Notification if data are compromised.
- The right of owners to have personal data removed and/or destroyed.
- The establishment of adequate controls on access to personal information.
- The secure storage of personal information.
- Responsibility for the integrity and continued accuracy of personal information.

POPIA reinforces provisions in the NHA on the confidentiality and secure handling of health records.

# LEGISLATIVE AND OTHER MANDATES CONTINUED

### Promotion of Access to Information Act (No 2 of 2000)

Section 32 (1) (a) of the Constitution states that anyone seeking to protect his or her rights has a right to access any information held by the state or another person. The Promotion of Access to Information Act (PAIA) gives all South Africans the right to access records held by the state, government institutions and private bodies. It obliges organisations to establish mechanisms to facilitate the supply of information in accordance with the Act.

### Promotion of Administrative Justice Act (No 3 of 2000)

Sections 33 (1) and (2) of the Constitution guarantee that administrative action will be reasonable, lawful, and procedurally fair, and it makes sure that people have the right to ask for written reasons when administrative action has a negative impact on them. The promotion of Administrative Justice Act (No 3 of 2000) aims to make administration effective and accountable to people for its actions. The objectives of the Act are to:

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

### Disaster Management Act (No 57 of 2002)

The Disaster Management Act provides for an integrated and coordinated disaster management policy in South Africa that focuses on preventing and reducing the risk of disasters and mitigating their severity through emergency preparedness, rapid and effective response, and post-disaster recovery. It regulates the establishment of national, provincial, and municipal disaster management centres. The COVID-19 pandemic has underscored the potential for infectious diseases to trigger national disaster and the important role of effective healthcare in many types of disasters.

### Preferential Procurement Policy Framework Act (No 5 of 2000)

The Preferential Procurement Policy Framework Act (PPPFA) provides a framework for the implementation of a procurement policy contemplated in Section 217 (2) of the Constitution.

### Skills Development Act, 1998 (No 97 of 1998)

The Skills Development Act provides an institutional framework for developing and implementing national, sectoral and workplace strategies to improve the skills of the South African workforce.

### Employment Equity Act (No 55 of 1998)

The Employment Equity Act serves as a mechanism to redress the effects of historic discrimination and to assist in the transformation of workplaces, so that they come to reflect diversity and are broadly representative of the composition of South Africa's population.

## Policy mandates

Several national health and development policies play a significant role in the way the OHSC interprets and implements its mandate. Such policies are, in some cases, aligned with regional and global health and development imperatives.

### National Health Insurance Programme

In pursuit of the goal of universal health coverage, the South African government has embarked on fundamental transformation of the health system. Its chosen approach is the National Health Insurance (NHI) Programme, which aims to distribute health resources more equitably and ensure all citizens have access to quality, essential health services regardless of their socio-economic status and ability to pay for healthcare.

The draft National Health Insurance Bill (NHI Bill) – which was undergoing a process of public comment during 2020/21 – provides for mandatory prepayment for healthcare services. It establishes the NHI Fund as a centralised mechanism for distributing healthcare resources and sets out the fund's powers, functions and governance structures. The NHI Bill recognises the socio-economic injustices of the past, the persistent inequalities that they have caused, and the need to heal historic divisions by building a society based on democratic values, social justice and fundamental human rights.

The OHSC has a clearly defined role in the NHI Programme. The NHI Bill provides that health establishments seeking service contracts with the NHI Fund must be accredited and "the process of accreditation of health care providers will require that health establishments are inspected and certified by the OHSC". It is important to note that, while the OHSC is critical to the unfolding of NHI, its broader role of improving the quality of public and private sector healthcare remains its fundamental mandate.

# LEGISLATIVE AND OTHER MANDATES CONTINUED

## National Development Plan

The National Development Plan 2030 (NDP) asserts that a health system with positive health outcomes for the country is possible and will:

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

Priority 2 in chapter 10 focuses on strengthening the healthcare system and recognises the OHSC as the independent entity mandated to promote quality by measuring, benchmarking, and accrediting performance against quality standards. A specific OHSC focus is achieving common basic standards in the public and private sectors.

## Medium-Term Strategic Framework 2019 – 2024

The purpose of the Medium-Term Strategic Framework (MTSF) is to outline government's strategic intent in implementing its electoral mandate and the vision of the NDP. The current MTSF aims to address unemployment, inequality and poverty. Its approach features three main pillars: achieving a more capable state, driving a strong and inclusive economy, and building the capabilities of South Africans. Education, skills and health are grouped together as a strategic priority.

## National Policy on Quality in Healthcare

The National Policy on Quality in Healthcare, adopted in 2001, was revised in 2007. It identifies mechanisms to improve the quality of healthcare in the public and private sectors and highlights the need to involve health professionals, communities, patients and the broader healthcare delivery system in capacity-building efforts and quality initiatives.

The objectives of the policy are to:

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

## Batho Pele and the Patients' Rights Charter

The Batho Pele principles govern all public services and seek to put "people first" by encouraging a service-oriented culture among public servants. The Batho Pele principles are:

- Regular consultation with service users.
- Setting of service standards.
- Increasing access to services.
- Ensuring higher levels of courtesy.
- Providing more and better information about services.
- Increasing transparency about services.
- Remedying failures and mistakes.
- Giving the best possible value for money.

The complementary Patient's Rights Charter lists a range of rights including confidential care, provision of information about one's health condition, informed choice regarding treatment, continuity of care, and having service complaints addressed.

## Presidential Health Summit Compact

The Presidential Health Summit Compact of 2018 states that regulation "plays a crucial role in establishing the rules within which professionals and organisations must operate within a more people-centred and integrated health system". The Presidential Health Summit recommended a full review of legislation on health and new governance and administrative structures to improve quality, transparency, accountability and efficiency in both the public and private health sectors. It also proposed the Office of the Health Ombud should be separated from the OHSC to ensure its independence, transparency and good governance. The process of drafting the Health Ombud Bill is underway as is the development of a separate OHSC Bill which would remove the functions of the OHSC from chapter 10 of the NHAA.

## United Nations Sustainable Development Goals

The interlinked Sustainable Development Goals (SDGs) are driven by the vision of ending global poverty, protecting the planet, and ensuring that humanity enjoys peace, prosperity, and a sustainable future. The agenda appreciates that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development.

# LEGISLATIVE AND OTHER MANDATES CONTINUED

## African Union Agenda 2063

African Union Agenda 2063 envisages an integrated, peaceful continent where prosperity is achieved through inclusive growth and sustainable development, and human rights and democratic practices are observed. It recognises that the health and nutrition of the population contribute to growth, and that capable institutions are necessary to build a rights-based culture.

## Sendai Framework for Disaster Risk Reduction

The Sendai Framework is a non-binding voluntary framework, adopted at a global UN conference in 2015, that aims to enhance countries' disaster preparedness, resilience and recovery in order to reduce loss of life, livelihoods, health and social assets.

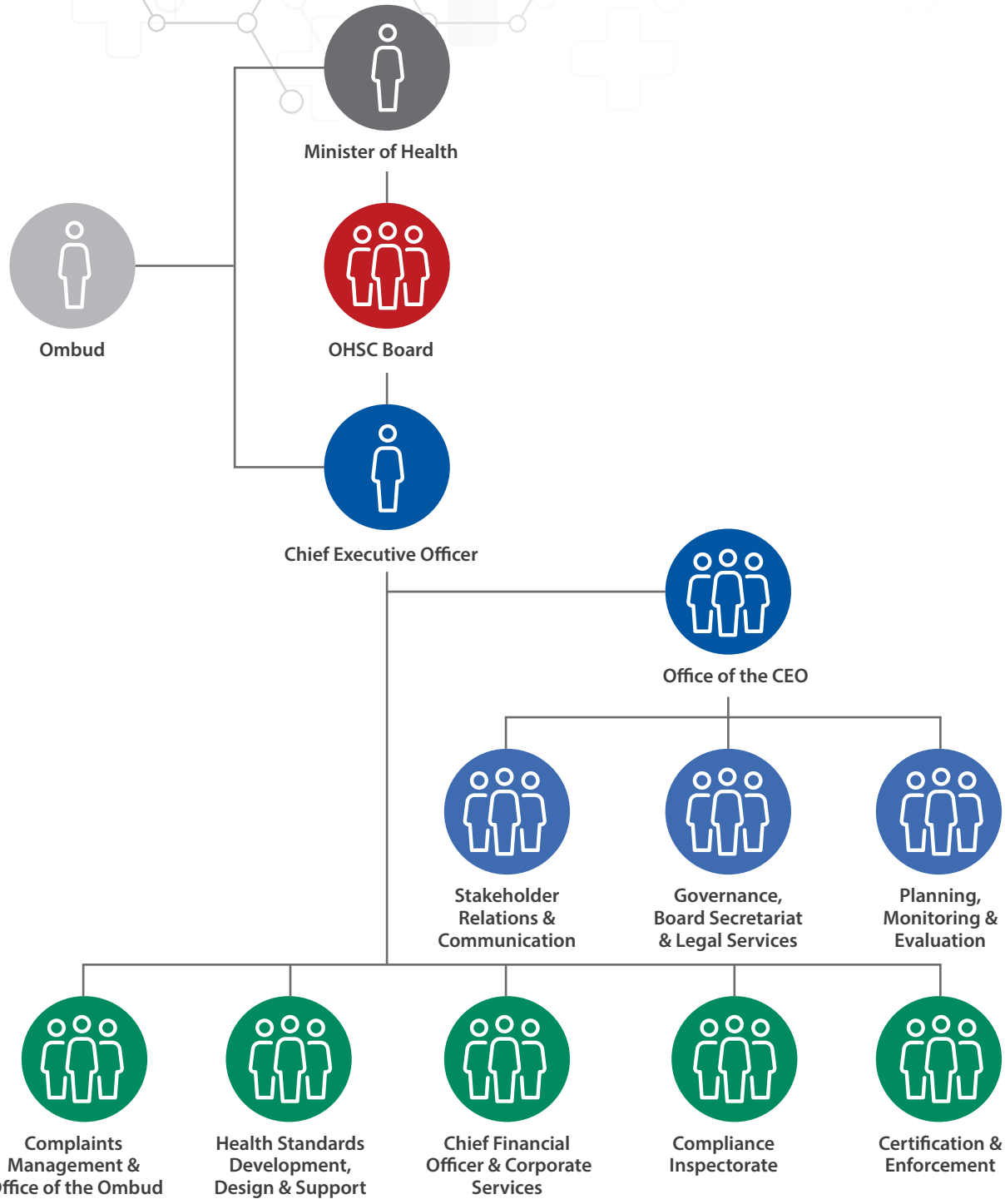
## Other legislation impacting on healthcare delivery

There are a number of laws that have an indirect bearing on the work of the OHSC, particularly those governing other regulatory bodies in the health sector.

### Legislation influencing the functioning of the OHSC

| LEGISLATION | PURPOSE |
|---|---|
| **Medical Schemes Act (No 131 of 1998)** | Regulates the medical schemes industry. Establishes and governs the work of the Council for Medical Schemes (CMS) |
| **Medicines and Related Substances Act (No 101 of 1965), as amended** | Regulates the manufacture, importation and distribution of medicines and other health products to ensure safety, quality and efficacy and provides for pricing transparency. Establishes and defines the mandate of the SA Health Products Regulatory Authority (SAHPRA) |
| **National Health Laboratory Service Act (No 37 of 2000)** | Provides the mandate for the National Health Laboratory Service, supplier of laboratory services to the public health sector |
| **Health Professions Act (No 56 of 1974)** | Regulates medical practitioners, dentists, psychologists, and other health professionals through the Health Professions Council of SA |
| **Pharmacy Act (No 53 of 1974)** | Regulates the pharmacy profession through the Pharmacy Council of SA |
| **Nursing Act (No 33 of 2005)** | Regulates the nursing profession through the Nursing Council of SA |
| **Allied Health Professions Act (No 63 of 1982)** | Regulates health practitioners such as chiropractors, homeopaths and others through the Allied Health Professions Council of SA |
| **Dental Technicians Act (No 19 of 1979)** | Regulates dental technicians through the establishment of the SA Dental Technicians Council |
| **Hazardous Substances Act (No 15 of 1973)** | Controls the import, manufacture, sale, use and disposal of hazardous substances, particularly those that emit radiation |
| **Foodstuffs, Cosmetics and Disinfectants Act (No 54 of 1972)** | Regulates foodstuffs, cosmetics and disinfectants and sets quality and safety standards for their manufacturing, importation and sale |
| **Occupational Diseases in Mines and Works Act (No 78 of 1973)** | Provides for medical examination of persons who might have contracted occupational diseases, especially while working in the mining sector, and for relevant compensation |
| **Occupational Health and Safety Act (No 85 of 1993)** | Protects the health and safety of persons at work and other persons exposed to health and safety hazards related to activities of persons at work |
| **Labour Relations Act (No 66 of 1995)** | Gives effect to the constitutional right of employees and employers to fair labour practices |

# ORGANISATIONAL STRUCTURE



# PART B:
# PERFORMANCE INFORMATION

# REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

The Auditor-General of South Africa performs the necessary audit procedures related to performance information and issues an audit conclusion on performance against predetermined objectives. This is included in a report to management and material findings are reported in the Auditor's Report under the heading, Report on the audit of the annual performance report, on page 60 of this report.

# SITUATIONAL ANALYSIS

## Healthcare environment

In 2020/21 virtually every aspect of health service delivery was profoundly affected by the explosion of the COVID-19 pandemic on South African shores in March 2020. The diversion of health sector resources and energy to the priorities of reducing the spread of infection and saving lives disrupted many health services. It also impeded progress on health system transformation. All developments outlined below should, therefore, be viewed in the light of the local impact of this global health crisis.

### The fundamental flaw: inequality

In recent years, South Africa has spent about 8.1% of GDP on healthcare (WHO) – a relatively high amount when compared with countries of comparable developmental status – but it has not reaped proportionate returns in terms of the health of its population. Quite to the contrary: the country carries a heavy and complex burden of disease – comprising high rates of communicable diseases, non-communicable diseases, maternal and child mortality, and trauma.

The inequitable distribution of health spending is at the heart of the above situation. Only 15% of the country's population is covered by medical scheme insurance, according to the Council for Medical Schemes, and nearly 45% of health spending occurs within the private healthcare market. Government spending on health amounts to 54% of total health spending and this is stretched to finance healthcare for at least 72% of the population who regard public facilities as their first (and often only) option. (Statistics SA).

The private healthcare sector is characterised by "highly concentrated funders and facilities markets, disempowered and uninformed consumers, a general absence of value-based purchasing, practitioners who are subject to little regulation, and failures of accountability at many levels", according to the 2019 report of Health Market Inquiry, instituted by the Competition Commission. Despite considerable overutilisation of services, the Health Market Inquiry observed, health outcomes were not good even among this privileged group of private health service consumers.

It is common cause that the public health sector is not adequately funded to fulfil the service needs of the majority of South Africans. Crowded waiting rooms, long waiting periods even for critically needed care (such as oncology services), poorly maintained and equipped facilities, and overworked health professionals are common features of the public health sector. Maintaining quality healthcare under these circumstances requires great commitment and fine management.

The inequality evident in healthcare extends to many other aspects of South African life – income, employment, education, housing and nutrition, for example – and, since these are fundamental determinants of health, the socio-economic situation serves to compound health status inequity.

### The aim: universal access to effective care

The NHA, which defines the national health system and the roles of its constituent parts, takes cognisance of the challenge of inequity in healthcare provision. In the face of this, it prescribes certain practices and creates particular structures designed to safeguard the rights of service users and ensure minimum standards of care are met. The OHSC and the health Ombud are among the institutions created by this framework legislation to improve the quality of healthcare across the board.

In addition, taking a longer-term view, the NHA seeks to fundamentally restructure the funding of healthcare by mandating the development of NHI which will provide a mechanism for distributing health resources more equitably across the public-private sector divide in the spirit of social solidarity. (See description of NHI Bill on page 13).

The NDoH has adopted a phased approach to implementing NHI. The current phase is planned to run until 2022 and focuses on the development of dedicated NHI legislation and amendments to related legislation. The NHI Bill was introduced in Parliament in July 2019 and the Portfolio Committee on Health conducted public hearings in all provinces later that year. The COVID-19 pandemic disrupted the committee's plans to hear further submissions during 2020 and these were rescheduled to mid-2021. The impact of this delay on timeframes for NHI implementation remains to be seen.

In parallel with the legislative programme, there has been a national effort to improve the quality of public sector health services as a necessary condition for the NHI.

One stream of preparation has focused on the creation of more robust health information systems, including the national Health Patient Registration System, which in 2020 contained some 52 million users of public health facilities, according to the Minister of Health.

The NDoH launched the Ideal Clinic Programme in 2013 as a structured process to ensure clinics had good infrastructure, adequate staff, medicines and supplies, followed sound administrative processes and relevant clinical policies and guidelines, and collaborated with stakeholders. By December 2020, according to the Minister of Health, 1 286 out of approximately 3 500 clinics had attained "ideal" status.

There is common ground between the criteria for ideal clinics and the regulations on norms and standards for various types of health establishments that came into effect in February 2019. These regulated norms and standards have been the firm foundation of the OHSC's inspections since then. Certification of health establishments, in terms of their ability to meet these norms and standards, will set the scene for their accreditation as providers to be contracted by the NHI Fund.

## COVID-19 pandemic

Within a year of the first reported case on COVD-19 early in March 2020, the country had recorded more than 1.5 million confirmed cases and at least 50 000 COVID-related deaths, according to official releases by the Ministry of Health. The SA Medical Research Council tracked the pattern of excess deaths – that is, deaths above the statistical norm for a given period – and this suggests that COVID-19 resulted in many more deaths than were formally counted.

The statistics only hint at the huge national effort that was mounted to equip the public, private and non-profit components of the national health system to respond to this tidal wave of disease. This encompassed public education, creation of monitoring systems, development of mass testing capacity, mobilisation of the necessary resources to repurpose existing hospitals and create temporary field hospitals and additional intensive care wards, and the treatment of large numbers of patients who were extremely ill.

The COVID-19 pandemic interrupted care for many other health conditions. Figures collected in both the public and private sectors showed that prevention and treatment for communicable and non-communicable diseases suffered as services were curtailed or service users avoided visiting health establishments. For example, only the most urgent surgery was possible for several months and backlogs mounted; screening, testing and treatment for TB declined significantly (National Institute for Communicable Diseases); and GP consultations dropped sharply (Discovery Health).

The diversion of healthcare resources to the COVID-19 response, combined with the infection and quarantining of large numbers of health personnel, undeniably put a heavy strain on healthcare services and may have compromised their ability to provide quality, safe care. The OHSC was well positioned to establish the quality of healthcare services delivered under pandemic conditions because of its experience in conducting inspections against set norms and standards.

The urgency of equipping public health facilities and other public services to continue to serve the public in the face of the pandemic created a situation in which poor procurement practices and outright corruption could flourish. Opportunistic private sector suppliers and officials in public service concluded major contracts for personal protective equipment and other essential items that were often hugely overpriced, of poor quality or unnecessary. The effect was to deplete financial resources of government and to put the health of service personnel – including health workers – at risk. The head of the Special Investigating Unit (SIU) told Parliament in May 2021 that the unit was investigating possible corruption related to contracts for personal protective equipment valued at R14.2 billion.

## The quality dimension of health reform

The OHSC plays a key role in improving the quality of health services within a transformative health agenda by enforcing compliance with norms and standards that relate to the overall functioning of health establishments. The significance of its role is underscored by the fact that OHSC certification is a precondition for any health establishment seeking accreditation as an NHI service provider.

There have been other significant initiatives in recent years to address the quality of healthcare. These include:

- The National Health Quality Improvement Plan (NHQIP), which envisages the designation of two quality improvement centres in every province. These centres will comprise public health facilities, private hospitals, emergency medical services and private medical practitioners. All constituent services will be assessed by the OHSC and assisted to become fully compliant with norms and standards. Following this they will provide quality improvement support to all other health establishments in their areas to enable them to achieve OHSC certification.
- Health Sector Anti-Corruption Forum (HSACF) is a multi-stakeholder structure that was formed in the latter part of 2019 and is convened by the SIU. Founder members included the NDoH, the Directorate for Priority Crime of the South African Police Service (SAPS), Financial Intelligence Centre, National Prosecuting Authority (NPA), CMS, HPCSA, Health Funders' Association, Board of Healthcare Funders, Corruption Watch and Section 27. In 2020, it monitored progress in the SIU's investigation of 20 alleged instances of serious maladministration, fraud and corruption and held seminars designed to help prevent corruption.
- SAHPRA's gradual progress in regulating the medical devices industry, a sector that had been unregulated for decades. The importance of quality medical devices to good healthcare was underscored in 2020 by the critical need for personal protective equipment, respirators and other means of delivering oxygen to patients with COVID.
- Steps by the CMS to open discussion on the standardisation of medical schemes' benefit options, in line with recommendations of the Health Market Inquiry.

## Organisational environment: the OHSC and the Ombud

Since the role of the OHSC is to protect and promote the health and safety of users of healthcare services by ensuring that health establishments comply with defined norms and standards, the existence of legally binding norms and standards, set out in regulations, is absolutely key to the organisation assuming its full regulatory authority. The first set of norms and standards for health establishments came into effect in February 2019, making the current reporting year the second in which the OHSC was empowered with statutory tools.

In the years between the establishment of the OHSC and the institution of regulated norms and standards, the Office did substantial work to advise the Minister on the setting of norms and standards, develop inspection tools to measure compliance in an objective and uniform manner, and conduct "mock" inspections at public health facilities (using National Core Standards for Health Establishments in the absence of regulated standards).

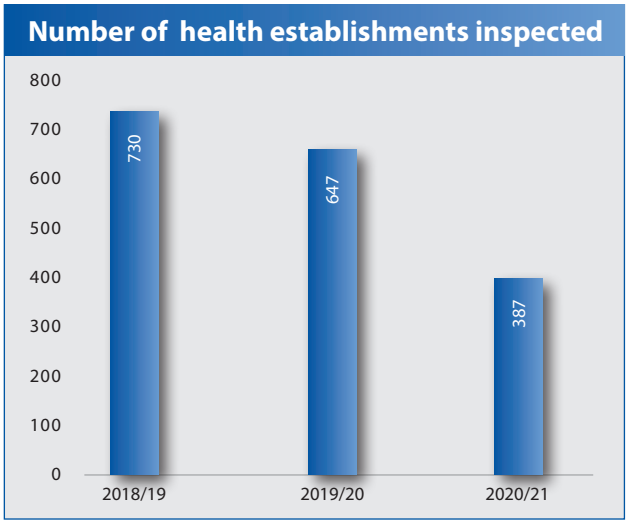
In 2020/21 the OHSC inspected a total of 387 public sector health establishments. These were all in the public sector and distributed across all provinces. The number represents 10.14% of the 3 186 public sector health establishments in South Africa. The Office is, therefore, not on track to meet its target of inspecting 100% of establishments over a five-year period and inspected 16.95% fewer health establishments in 2020/21 financial year than in previous years.

The first OHSC certificates of compliance were issued during this year to 33 public health clinics that had been inspected in 2019/20 and met the standard for certification. The certified clinics were in Gauteng (16), KwaZulu-Natal (15) and Mpumalanga (2).

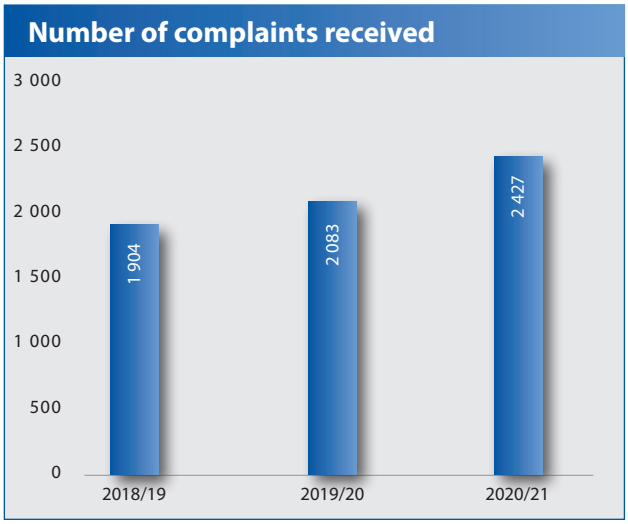
Compliance notices were sent to all other health establishments, indicating what steps should be taken to achieve the required service standards and setting timeframes for such improvements.

The Complaints Call Centre continued to see an increase in the number of complaints received and registered. The overwhelming majority (99%) of complaints were classified as low-risk and most could have been resolved by health establishments. The Call Centre facilitated the resolution of about nine out of 10 of these (91.81%).

Complaints representing higher risk are referred to the Complaints Assessment Unit and, in a small number of cases where this unit is unable to propose a satisfactory resolution, a full investigation is undertaken by the Complaints Investigation Unit. Both the Assessment and




Note: 2018/19 figure relates to mock inspections which did not involve certification and compliance enforcement




Investigation Units have been under-resourced and have accumulated backlogs over the years. In 2020/21, with some additional resources, they made reasonable progress in reducing the backlogs.

The development of norms and standards for additional categories of health establishment is an ongoing task. In this regard, the OHSC acts as a technical advisor to the Minister of Health, in whom the power to promulgate norms and standards vests. During 2020/21, the OHSC developed a framework of norms and standards for emergency medical services and these were the basis for draft regulations published for comment by the Minister of Health in February 2021.

Substantial progress was made towards creating inspection tools to measure compliance with norms and standards by

general medical practices. Both the development of inspection tools and recommendations on norms and standards to be regulated are informed by consultation with organisations representing the relevant categories of health establishment.

During 2020/21, as in previous years, the OHSC's output was adversely affected by resource constraints. All aspects of its mandate require skilled human resources and the budget does not allow for the filling of all designated posts in the organogram. To date, the OHSC has confined inspections to the public health sector and, even within these limits, is not on track to meet its target of inspecting every public health establishment within five years. As the OHSC turns its attention to private sector primary healthcare practices, specialist medical services and hospitals, the ratio of inspections to institutions will be further diluted – unless it is able to:

- Develop a funding stream to supplement the allocation made by National Treasury.
- Re-engineer certain functions for higher productivity.

Both the above options are being positively explored as the Office is committed to fulfilling the mandate entrusted to it.

The Health Ombud's role is to "receive, investigate and dispose of complaints from the public related to breaches of norms and standards of healthcare" and to do so "in good faith and without fear, favour, bias or prejudice".

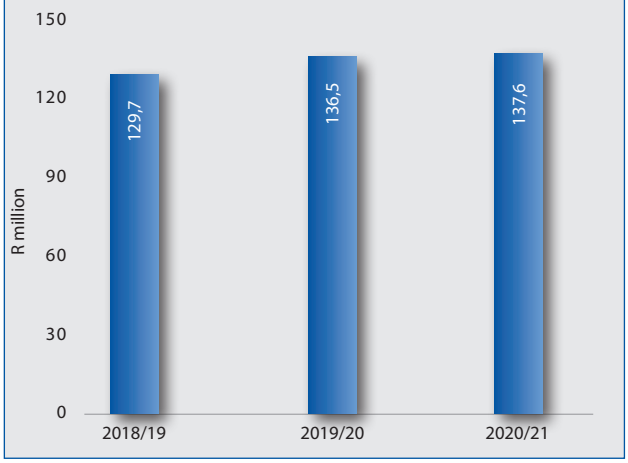
Although the Ombud is located within the OHSC and supported by dedicated OHSC staff members, s/he is appointed directly by the Minister of Health and is not accountable to the CEO or the Board of the OHSC.

There is, nevertheless a close working relationship between the Ombud and the OHSC's Complaints Management Unit which manages the call centre through which complaints are lodged. Staff of the Complaints Management Unit resolve the vast majority of complaints, while the most serious breaches of norms and standards tend to be reserved for the Health Ombud's attention.

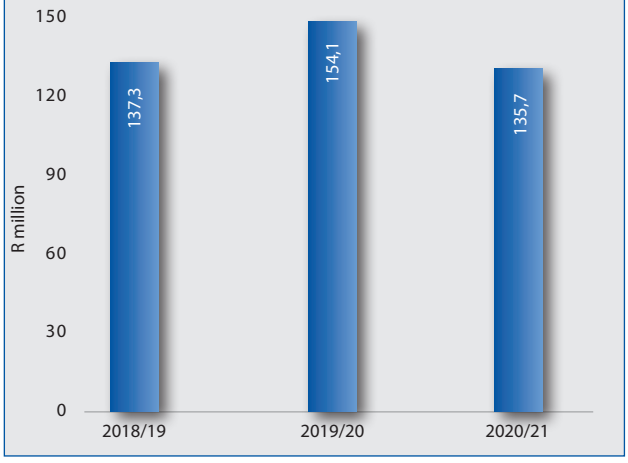
The Health Ombud has the authority to launch an investigation on any apparent breach of norms and standards that comes to his or her attention – for example, through a report in the media – and is not confined to addressing complaints made directly to him or the OHSC.

The current Health Ombud, Prof Malegapuru Makgoba, won considerable public respect in 2016 through his investigation of the deaths of 143 users of mental health services following their discharge from Life Esidimeni mental health facilities to woefully inadequate community facilities. In the current reporting period, major investigations undertaken by the Ombud included the probe into the care and circumstances of death of Mr Shonisani Lethole at Tembisa Provincial Tertiary Hospital.

**Value of government grants received**




**Annual expenditure**



# PERFORMANCE INFORMATION

The OHSC fulfils its mandate through four specialised divisions each of which is responsible for a defined programme. A fifth division provides leadership and administrative support for the organisation as a whole. Ultimately all divisions work towards the common goal of ensuring safe and quality healthcare for everyone and they are, to some extent, interdependent. Their programmes are depicted in the diagram below.

**Programme 1:**
**Administration**

**Programme 2:**
**Compliance Inspectorate**

**Programme 3:**
**Complaints Management and Office of the Ombud**

**Programme 4:**
**Health Standards Design, Analysis and Support**

**Programme 5:**
**Certification and Enforcement**

## PROGRAMME 1: ADMINISTRATION

The purpose of the programme is to provide the leadership and administrative support necessary for the OHSC to deliver on its mandate and comply with all relevant legislative requirements.

| PROGRAMME OUTCOME: A FULLY FUNCTIONAL OHSC | | |
|---|---|---|
| **Output indicator** | **Baseline** | **Five-year target** |
| Percentage of vacancies filled within four months of the vacancy existing | New indicator | 93% |
| Percentage of certified inspectors after successful completion of training | New indicator | 95% |
| Unqualified audit opinion achieved by the OHSC | Unqualified audit report | Unqualified audit report |
| Percentage of ICT availability for core OHSC services | New indicator | 95% |
| Percentage of ICT availability for OHSC support services | New indicator | 95% |
| Number of community stakeholder engagements to raise public awareness on the role and powers of the OHSC | New indicator | 60 |
| Number of private sector engagements to raise awareness on the role and powers of the OHSC | New indicator | 40 |

### Sub-programmes

Key corporate functions are fulfilled through the following sub-programmes:

- Sub-programme 1.1: Human Resource Management
- Sub-programme 1.2: Finance and Supply Chain Management
- Sub-programme 1.3: Information and Communication Technology (ICT)
- Sub-programme 1.4: Communication and Stakeholder Relations.

# PROGRAMME PERFORMANCE CONTINUED

## *Sub-programme: Human Resource Management*

The purpose of the sub-programme is to create an enabling environment for employees to contribute towards the achievements of the organisation objectives and mandate. The Human Resource Management Unit (HR) enables the Office to attract, develop and retain skilled people and to meet transformation targets.

### Outcomes, outputs, targets and actual achievement

| PROGRAMME: ADMINISTRATION | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SUB-PROGRAMME: HUMAN RESOURCE MANAGEMENT | | | | | | | | |
| Outcome | Output | Output indicator | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned performance 2020/21 | Actual achievement 2020/21 | Deviation of achievement from target 2020/21 | Reasons for deviations |
| A fully functional OHSC | Turnaround time for the filling of funded vacancies | Percentage of vacancies filled within four months of vacancy existing | New indicator | New indicator | 90% | 41.7% (10/24) In all, 17 of 24 vacancies, were filled, 10 of them within four months | -48.3% | Recruitment was negatively affected by the National State of Disaster. There was difficulty finding suitable candidates for some senior management posts, resulting in the posts being advertised twice. As at 31 March 2021, 119 (94%) of 127 funded posts were filled |
| | Inspectors are certified after successful completion of training | Percentage of certified inspectors after successful completion of training | New indicator | New indicator | 95% | 80% (49/61) | -15% | Training of inspectors was adversely affected during lockdown. The approved programme could not be delivered remotely and therefore did not take place |

*Partially achieved*

*Not achieved*

## Achievement of strategic outcomes

Despite difficulties posed by the COVID-19 pandemic, the Human Resource Management Unit ensured that 94% (119/127) of the OHSC's funded posts were filled as at 31 March 2021. This was mainly attributable to the improvement of working conditions for employees.

Well trained, certified inspectors are critically important to ensuring the OHSC is able to inspect health establishments to establish their compliance with regulated norms and standards. By the end of the financial year, 80% (49/61) of inspectors had completed the approved training course and been certified. This figure fell short of the planned performance of 95%.

Staff also benefited from a range of professional development and skills training opportunities. These were mostly short courses designed to improve general skills, such as report writing, time management and financial management, and skills specific to the OHSC's mandate, such as standards development and the skills required by peace officers.

In response to the COVID-19 pandemic outbreak, the OHSC developed a workplace plan encompassing health and safety policies and procedures, including measures to be taken in event of an outbreak at the OHSC office. A committee was appointed to implement the workplace plan.

The OHSC embarked on implementing the revised organisational structure during the period under review.

## Strategy to overcome areas of under performance

The national lockdown in response to COVID-19 adversely affected the planned filling of posts, training of inspectors, performance management processes and policy reviews. To compensate for these delays, in the next financial year the following areas of human resource management will be prioritised:

- Implementation of the revised organisational structure and review of related policies.
- Implementation of the integrated payroll and HR software system, which will increase efficiency and improve secure access to personal information for employees. In the context of COVID-19, it will also reduce the need for face-to-face contact with employees.

## *Sub-programme: Finance and Supply Chain Management*

The Finance and Supply Chain Management sub-programme ensures compliance with all relevant financial statutes and regulations, the most important of which is the PFMA. It ensures that goods and services are procured lawfully and in accordance with principles of good corporate governance.

### Outcomes, outputs, targets and actual achievement

| PROGRAMME: ADMINISTRATION | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SUB-PROGRAMME: FINANCE AND SUPPLY CHAIN MANAGEMENT | | | | | | | | |
| Outcome | Output | Output indicator | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned performance 2020/21 | Actual achievement 2020/21 | Deviation of achievement from planned target 2020/21 | Reasons for deviation |
| A fully functional OHSC | Unqualified audit opinion achieved | Unqualified audit opinion achieved | Unqualified audit | Unqualified audit | Unqualified audit | Unqualified audit | — | — |

## Achievement of strategic outcomes

As a public entity, it is crucial for the OHSC to demonstrate accountability and transparency in matters of financial management and performance reporting. An unqualified audit opinion can assist in building public trust in the OHSC. In 2020/21 – its sixth year of operation – the OHSC achieved an unqualified audit opinion from the AGSA.

During the year, existing policies and procedures were reviewed in accordance with a recommendation of the organisation's internal auditors. The aim was to strengthen the internal control environment in order to ensure sound risk management.

The internal audit function was performed by an outside firm, in accordance with a Board-approved internal audit coverage plan. This provided for quarterly internal audits of performance information, information technology, supply chain management, financial management, human resource management and payroll administration.

In 2020/21 the OHSC continued to take action in accordance with recommendations of the AGSA and internal auditors, expressed in prior year audit findings.

As required by National Treasury regulations, the OHSC has a fraud prevention plan in place. The Office maintains a fraud hotline to enable OHSC employees and external stakeholders to report anonymously any unethical conduct involving the OHSC.

# PROGRAMME PERFORMANCE CONTINUED

As a statutory entity, established by the PFMA and subject to National Treasury regulations, periodic and regular financial and performance reports were prepared and reported to the relevant internal and external stakeholders.

The OHSC also has a risk management policy and a strategy to mitigate the risks identified in the strategic risk register. Regular feedback was provided to the Board on progress in mitigating the risks identified.

## Challenges

With the growth of the organisation, inadequate funding for the fulfilment of its mandate remains a major challenge for the OHSC. Due to the impact of COVID-19 on the national fiscus, the OHSC's annual allocation from National Treasury was reduced from R143m to R137m. Additional revenue accrued from interest on invested funds.

Financial constraints impact especially on the ability of OHSC inspectors to conduct the targeted number of inspections of health establishments. The numbers of inspections completed is proportional to available funding.

## Way forward

The founding legislation of the OHSC provides for the Office to charge fees for services rendered. The OHSC is exploring this option, especially with regard to the conduct of inspections.

### *Sub-programme: Information and Communication Technology (ICT)*

The Information and Communication Technology (ICT) programme undertakes long-term planning and provides day-to-day support across the OHSC in respect of ICT needs, services and systems.

| PROGRAMME: ADMINISTRATION | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SUB-PROGRAMME: INFORMATION AND COMMUNICATION TECHNOLOGY | | | | | | | | |
| Outcome | Output | Output indicator | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned performance 2020/21 | Actual achievement 2020/21 | Deviation of achievement from planned target 2020/21 | Reasons for deviations |
| A fully functional OHSC | Information and communication technology (ICT) service availability | Percentage of ICT availability for core OHSC services | New indicator | New indicator | 95% | 99.84% | 4.84% | IT systems operated efficiently due to close monitoring of systems, contracts with service providers and implementation of automation |
| | | Percentage of ICT availability for OHSC support services | New Indicator | New Indicator | 95% | 98.22% | 3.22% | IT systems operated efficiently due to close monitoring of systems, contracts with service providers and implementation of automation |

*Achieved*

## Achievement of strategic outcomes

The ICT strategy is designed to take account of the ever-changing ICT environment and implementation during the year focused on the electronic inspection tool, annual returns, the early warning system, digitisation, business intelligence, security and risk management.

In response to the COVID-19 pandemic, there was a need to optimise and support ICT systems for working remotely.

IT systems supporting major OHSC programmes were maintained, and in some instances enhanced, during the year. They are:

- The Complaints Call Centre which was established several years ago to receive health service users' complaints concerning breaches in norms and standards by health establishments. The ICT programme is responsible for the relevant technology.
- The electronic inspection system which is used by the OHSC Compliance Inspectorate to conduct inspections at health establishments. It is deployed on mobile devices and contributes significantly to the efficiency of inspections.
- The annual returns system which enables health establishments in the public and private sector to submit their annual returns electronically, in compliance with legal requirements. It underwent redevelopment during the past year.

### *Sub-programme: Communication and Stakeholder Relations*

The Communication and Stakeholder Relations sub-programme aims to facilitate delivery on the Office's mandate through effective stakeholder engagement and developing partnerships that are mutually beneficial.

| PROGRAMME: ADMINISTRATION | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SUB-PROGRAMME: COMMUNICATION AND STAKEHOLDER RELATIONS | | | | | | | | |
| Outcome | Output | Output indicator | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned performance 2020/21 | Actual achievement 2020/21 | Deviation of achievement from planned target 2020/21 | Reasons for deviation |
| A fully functional OHSC | Awareness about the role and powers of OHSC is raised | Number of community stakeholder engagements to raise public awareness on the role and powers of the OHSC | New indicator | New indicator | 12 | 6 | -6 | Legal restrictions on travel and gatherings introduced to combat the spread of COVID-19 constrained stakeholder engagement. Towards the end of the year, as restrictions eased, some public awareness activities were conducted at health establishments and in communities in rural areas of the North West |
| | | Number of private sector engagements to raise awareness on the role and powers of the OHSC | New indicator | New indicator | 8 | 3 | -5 | While webinars were held with health services in the mining sector, general medical practitioners and emergency medical services the number was limited by factors related to the COVID-19 pandemic |

*Partially achieved*

## Achievement of strategic outcomes

### *Awareness campaigns*

A roadshow to increase public awareness of the OHSC was conducted in various villages and health establishments in the predominantly rural Ratlou Local Municipality, North West.

Three webinars were held with health services in the mining sector, general medical practitioners, and emergency medical services (EMS). Inspections of private health establishments will soon be introduced and norms and standards for EMS are in development. The webinars were designed to pave the way for future inspections by building understanding of the mandate of the OHSC and the nature of norms and standards.

### *Media engagements*

The findings of an investigation into the care and circumstances of the death of Mr Shonisani Lethole, a patient at Tembisa Hospital in Gauteng, were released by the Health Ombud at a virtual media briefing. The findings drew widespread media interest and were covered by national media and global news networks. Technical support from the Government Communication and Information System (GCIS) facilitated the live broadcast of the briefing by mainstream media.

Four additional media releases were issued during the year and they attracted more than 40 items of media coverage, mostly in national and major regional media.

### *OHSC website*

The websites of the OHSC and the Health Ombud are significant ways to increase communication with stakeholders and content is regularly updated. During 2020/21, the OHSC website attracted 84 710 users and the Health Ombud website 21 733 users.

## Strategy to overcome underperformance

In the coming year the OHSC aims to expand communication to the public and stakeholders – especially health establishments – by:

- Utilising community radio to reach greater numbers of people more efficiently than is possible by face-to-face communication – and overcoming potential barriers posed by the COVID-19 pandemic.
- Building its programme of webinars to reach more stakeholders.
- Collaborating with other regulators and organisations representing health establishments and health service users to share information.
- Strengthening the use of digital media platforms to update stakeholders timeously of decisions taken by the OHSC.

In addition, now that the inspection of health establishments is based on promulgated regulations, priority will be given to working with relevant programmes to publish reports on the process and outcomes of inspection, as required by legislation.

### Linking programme performance with budget

| PROGRAMME | BUDGET | ACTUAL EXPENDITURE | (OVER)/UNDER EXPENDITURE |
|---|---|---|---|
| Administration | R60 681 191 | R64 451 872 | (3 770 681) |

Over-expenditure was largely due to prior year commitments on maintenance and support of ICT infrastructure, which was funded, with National Treasury's approval, from a surplus.

Furthermore, additional expenditure was incurred to enable employees to function in the face of the COVID-19 threat. This involved the purchase of personal protective equipment, preparing the office for safe occupation, and additional mobile communication services to enable employees to work from home.

## PROGRAMME 2: COMPLIANCE INSPECTORATE

The purpose of the Compliance Inspectorate is to inspect health establishments against prescribed norms and standards.

The Compliance Inspectorate comprises sub-units dealing with routine and specialised inspections of health establishments. The latter category includes re-inspections and "risk-based" inspections, where the OHSC has reason to believe conditions might pose a risk to the health and safety of service users. The unit makes recommendations to the Certification and Enforcement Unit on the certification of health establishments that have been inspected.

In the year under review, the Compliance Inspectorate had a staff complement of 57. Its main outcome, outputs and targets are outlined below.

| OUTCOME: COMPLIANCE WITH NORMS AND STANDARDS IS EFFECTIVELY MONITORED | | |
|---|---|---|
| Output indicator | Baseline | Five-year target |
| Percentage of public health establishments inspected for compliance with norms and standards | 19.13% | 100% |
| Percentage of private health establishments inspected for compliance with norms and standards | New indicator | 100% |
| Percentage of additional inspections conducted in private and public health establishments where non-compliance was identified | New indicator | 100% |
| Publication of bi-annual consolidated reports on health establishments' performance against norms and standards | New indicator | 10 |

# PROGRAMME PERFORMANCE CONTINUED

## Outcomes, outputs, targets and achievements

**PROGRAMME: COMPLIANCE INSPECTORATE**

| Outcome | Output | Output indicator | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned performance 2020/21 | Actual achievement 2020/21 | Deviation of achievement from planned target 2020/21 | Reasons for deviation |
|---|---|---|---|---|---|---|---|---|
| Compliance with norms and standards is effectively monitored | Health establishments are inspected for compliance with norms and standards | Percentage of public health establishments inspected for compliance with the norms and standards | 19.13% (730/3 816) | 16.95% (647/3 816) | 10% (382 of 3 816) | 10.14 % (387 of 3 816) In addition, eight early warning system (EWS) inspections were conducted | +0.14% | Compliance inspections were not conducted in Q1 and Q2 due to the national state of disaster. Eight EWS inspections were conducted, as a result of media reports, in Kwa-Zulu Natal (1), Gauteng (2), North West (2), Eastern Cape (2) and Limpopo (1) |
| | | Percentage of private health establishments inspected for compliance with the norms and standards | New indicator | New indicator | 6% (16 of 393) | 0% | -6% | Compliance inspections in the private sector did not commence. Consultations on the development of inspection tools for the private sector were conducted |
| | Additional inspection is conducted in health establishments where non-compliance was identified | Percentage of additional inspections conducted at health establishments where non-compliance was identified | New indicator | New indicator | 100% | 0% | -100% | There were no reinspections during the reporting period because individual inspection reports had not been finalised within the year |
| | Regulated inspection reports are published | Publish bi-annual consolidated reports on health establishments' performance against norms and standards | New indicator | New indicator | 2 | 1 | -1 | There were no inspections in Q1 and Q2 of the financial year due to the COVID-19 pandemic. Since inspections only commenced in Q3, the timelines for communicating 2020/21 reports to health establishments and finalising them fell into the next financial year. However, a report relating to 2019/20 inspections was tabled in the current reporting period |

*Achieved*

*Partially achieved*

*Not achieved*

## Achievement of strategic outcomes

During 2020/21, the Inspectorate carried out routine inspections at 387 public health clinics, against a target of 382. It also conducted eight risk-based inspections in various provinces, prompted by reports in the media, which are monitored as part of the early warning system.

Because of COVID-19 restrictions, no routine inspections took place between April and September and instead the Inspectorate focused on rapid inspections of quarantine and isolation facilities created by provincial health departments to manage the epidemic. A total of 23 rapid inspections were conducted, covering all provinces except Limpopo.

When routine inspections commenced in the third quarter, only 50% of inspectors could be utilised on-site at health establishments and they managed to exceed the annual target. The remaining inspectors were considered high-risk in terms of COVID-19 and worked from home to perform functions such as peer reviews and finalisation of the 2019/20 annual inspection report.

The adverse impact of COVID-19 was felt particularly in relation to reinspecting health establishments that had been found non-compliant with norms and standards during earlier inspection. No inspections in this category were undertaken during the year.

There was also a delay in instituting the inspection of private health establishments. The conduct of inspections requires inspection tools that specify how norms and standards are to be measured in particular healthcare settings. These tools are essential for standardisation and objectivity in carrying out inspections. The tools for private health facilities were not finalised during the course of 2020/21.

The OHSC is required to publish an annual report providing an overview of inspections and certification of health establishments, and the report for 2019/20 was prepared during the course of 2020/21. The Office is also required to provide specific information on inspections every six months. In the current reporting period, there were no inspections for the first six months – and hence no report – and the document relating to the third and fourth quarters was to be published in the next financial year.

## Strategy to overcome underperformance

Plans are in place to finalise inspection tools for hospitals and begin the inspection of private health establishments during the fourth quarter of 2021/22.

Priority will also be accorded to addressing the backlog in the reinspection of establishments, occasioned by the COVID-19 crisis. This has required specific planning as it cannot occur at the expense of continuing routine inspections of health establishments that have not been previously inspected.

### Linking performance to budgets

| PROGRAMME | BUDGET | ACTUAL EXPENDITURE | (OVER)/UNDER EXPENDITURE |
|---|---|---|---|
| Compliance Inspectorate | R48 086 600 | R40 988 501 | R7 098 099 |

Underexpenditure on the conduct of inspections is due to the fact that reinspection of health establishments and inspection of private health establishments did not take place as planned. Travel and accommodation costs budgeted for these activities were therefore not incurred.

## PROGRAMME 3: COMPLAINTS MANAGEMENT AND OFFICE OF THE OMBUD

The purpose of the Complaints Management Programme is to consider, investigate and dispose of complaints relating to non-compliance with prescribed norms and standards in a procedurally fair, economical, and expeditious manner.

The programme comprises three sub-programmes:

- Complaints Call Centre receives, records and screens complaints from the public. Low-risk complaints are addressed at the level of the call centre, while those receiving a medium, high or extreme risk rating are referred to the Complaints Assessment Unit.
- Complaints Assessment Unit has a team of assessors who analyse and assess medium, high and extreme risk complaints, as well as notifying health establishments of the complaints lodged against them.
- Complaints Investigation Unit undertakes the investigation of high and extreme risk-rated complaints.

The Complaints Management Programme and Office of the Ombud collaborate in an effort to achieve the outcomes and outputs outlined below.

| OUTCOME: IMPROVED QUALITY OF HEALTHCARE SERVICES RENDERED TO USERS OF HEALTH ESTABLISHMENTS | | |
|---|---|---|
| Output indicator | Baseline | Five-year target |
| Percentage of low-risk complaints resolved within twenty-five working days of lodgement in the call centre | New indicator | 90% |
| Percentage of user complaints resolved within 30 working days through assessment after receipt of a response from the complainant and/or the health establishment | 44% | 75% |
| Percentage of complaints resolved within six months through investigation | 2% | 70% |
| Percentage of complaints resolved within 12 months through investigation | New indicator | 70% |
| Percentage of complaints resolved within 18 months through investigation | New indicator | 70% |

### Outcomes, outputs, targets and actual achievement

| PROGRAMME: COMPLAINTS MANAGEMENT AND OFFICE OF THE OMBUD | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Outcome | Output | Output indicator | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned performance 2020/21 | Actual achievement 2020/21 | Deviation of achievement from planned target 2020/21 | Reasons for deviations |
| Improved quality of healthcare services rendered to users of health establishments | Low-risk complaints resolved within 25 working days of being lodged with the call centre | Percentage of low-risk complaints resolved within 25 working days of being lodged with the call centre | 77.84% (1 082/1 390) | 95.58% (1 580/1 651) | 65% | 91.81% (2108/2296) | 26.81% | Good performance was sustained through referral of low-risk complaints to relevant health establishments and continuous, active engagement of both complainant and health establishment |
| | User complaints resolved within 30 working days through assessment after receipt of a response from the complainant and/or the health establishment | Percentage of user complaints resolved through assessment within 30 working days of receipt of response from complainant and/or health establishment | 49.42% (43/87) | 7.3% (9/24) | 45% | 2.46% (5/203) | -42.54% | The historic backlog due to human resource challenges inflates the denominator |
| | Complaints resolved through investigation within six months | Percentage of complaints resolved within six months through investigation | New indicator | 10.00% (2/20) | 10% | 11.11% (1/9) | 1.11% | The historic backlog due to human resource challenges inflates the denominator. Two cases were referred for investigation in 2020/21 and two were carried over from 2019/20. Five more cases were referred for investigation in Q4 of 2020/21 and their target dates for resolution fall in the next financial year |
| | Complaints resolved through investigation within 12 months | Percentage of complaints resolved within 12 months through investigation | New indicator | New indicator | 20% | 0% | -20% | One case should have been resolved in Q4 of 2020/21 and was rescheduled for 12-month resolution. Due to COVID-19, the on-site investigation was only conducted in Q4 and a preliminary report was completed within the financial year |
| | Complaints resolved through investigation within 18 months | Percentage of complaints resolved within 18 months through investigation | New indicator | New indicator | 20% | 0% | -20% | There were no cases falling within this category in 2020/21 |

*Achieved*

*Not achieved*

# PROGRAMME PERFORMANCE CONTINUED

## Achievement of strategic outcomes

The Complaints Call Centre exceeded its targets for speedily resolving low-risk complaints by encouraging health establishments to be open to complaints, liaising with complainants to ensure the complaint is holistically addressed, and monitoring timelines after referring complaints to health establishments. The registration and processing of complaints by the call centre contributes to the OHSC's monitoring of levels of compliance with norms and standards by health establishments.

Overall, both public and private health establishments tend to accept the findings in the OHSC's complaint assessment reports and undertake to implement the recommendations and report on progress. However, only a large-scale impact study would be able to establish the resulting improvement in the quality of healthcare services.

The COVID-induced national lockdown had a significant impact on the Complaints Investigation Unit's activities, particularly the conduct of on-site investigations. The year under review saw the investigation by the Health Ombud of the first reported case concerning deficiencies in the management of a patient infected with COVID-19 in a public hospital.

## Strategy to overcome underperformance

Historical staff shortages in the Complaints Assessment Unit had resulted in a backlog in the resolution of complaints. A plan was developed to address this and its implementation saw the closure of 174 backlog cases by the end of 2020/21. The appointment of the Executive Manager towards the end of the year expedited the review and approval of the unit's reports. A strategy to mitigate staffing constraints also contributed to higher output.

The Complaints Investigation Unit has attempted to analyse all complaints lodged more than two years ago and made a concerted effort during 2020/21 to prioritise these. By the end of the year, 15 preliminary reports had been produced and were under review.

### Linking performance to budgets

| PROGRAMME | BUDGET | ACTUAL EXPENDITURE | (OVER)/UNDER EXPENDITURE |
|---|---|---|---|
| Complaints Management & Ombud | R19 797 768 | R18 839 509 | R958 259 |

Reduced travel to conduct investigations – due to COVID-19 restrictions – and lower than expected legal costs account for the underspending of almost 5% on the budgeted amount for the programme.

## PROGRAMME 4: HEALTH STANDARDS DESIGN, ANALYSIS AND SUPPORT

The purpose of the Health Standards Design, Analysis and Support programme is to provide high-level technical support to the Office through research, health systems analysis, development of data collection tools, training in the use of these tools, and analysis and interpretation of the data collected. The programme also drives the establishment of stakeholder networks for capacity building and the co-creation of information management systems.

The programme has two sub-programmes:

- Health Standards Development and Training.
- Heath Systems, Data Analysis and Research.

### Health Standards Development and Training

The Health Standards Development and Training Sub-Programme advises the Ministry of Health on the development and review of norms and standards incorporated into regulations against which health establishments will be assessed. It also develops inspection tools designed to enable inspectors to measure compliance with norms and standards promulgated by the Ministry of Health.

The sub-programme provides training to inspectors on the use of approved inspection tools prior to the commencement of inspections of various categories of health establishments. The sub-programme organises workshops with relevant authorities to ensure that those responsible for implementing norms and standards have a common understanding of the requirements, the intended benefits of compliance, and how this can be achieved in a sustainable manner to improve the quality of the health system and its outcomes.

### Health Systems, Data Analysis and Research

The Health Systems, Data Analysis and Research Sub-Programme monitors trends related to compliance with norms and standards through health establishments' submission of annual returns (facility profiles) and reporting on indicators of risk as part of the early warning system (EWS). The information contained in annual returns is used to plan compliance inspections and undertake contextual analysis of inspection results. By closely tracking key indicators, the EWS enables the OHSC to monitor serious breaches of norms and standards and resulting risks to the health and safety of health service users.

The sub-programme combines data from the annual returns, the EWS and inspections to compile reports following inspections, analyse the health system and make recommendations to relevant authorities on areas of service that require improvement.

The sub-programme co-ordinates research activities that enable the OHSC to provide advice to the Minister of Health on norms and standards to be prescribed. The aim is to ensure that recommendations on improvement of quality and other regulatory activities are supported by scientific evidence.

### Institutional outcomes

The outcome of this programme, stated below, is aligned with goal 3 of the NDoH Strategic Plan 2019 – 2024 which deals with quality improvement in the provision of healthcare services.

| OUTCOME: FACILITATE ACHIEVEMENT OF COMPLIANCE WITH THE NORMS AND STANDARDS REGULATIONS FOR DIFFERENT CATEGORIES OF HEALTH ESTABLISHMENTS | | |
|---|---|---|
| Output indicator | Baseline | Five-year target |
| Number of recommendations for improvement in the healthcare sector made to relevant authorities | New indicator | 15 |
| Number of guidance visits to facilitate implementation of the norms and standards regulations | New indicator | 120 |

# PROGRAMME PERFORMANCE CONTINUED

### Outcomes, outputs, targets and actual achievement

| PROGRAMME: HEALTH STANDARDS DESIGN, ANALYSIS AND SUPPORT | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Outcome | Output | Output indicator | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned performance 2020/21 | Actual achievement 2020/21 | Deviation of achievement from planned target 2020/21 | Reasons for deviation |
| Compliance with norms and standards regulations for different categories of health establishments | Implementation of recommended improvements by relevant authorities in the healthcare sector | Number of recommendations for improvement in the healthcare sector implemented by relevant authorities | New indicator | New indicator | 3 | 3 | Reports completed but not provided to relevant authorities | Delays in dissemination of the reports, which are first shared with the Certification and Enforcement Committee (CEC) and then with stakeholders |
| Compliance with norms and standards regulations for different categories of health establishments | Improved implementation of norms and standards | Number of guidance visits to facilitate implementation of norms and standards regulations | New indicator | New indicator | 24 | 18 | -6 | No workshops were conducted in Q1 due to COVID-19 lockdown. Two workshops were conducted in Q4, while six were planned. Some workshops were postponed due to private hospital groups requesting extensions for inputs on inspection tools |

*Partially achieved*

## Achievement of strategic outcomes

The organisation and facilitation of guidance and support workshops have assisted relevant authorities and stakeholders to understand the promulgated healthcare standards and related inspection tools, and appreciate the intended benefits of these requirements. Communication between the OHSC and relevant stakeholders has been strengthened along with the realisation that we are all working towards the same goal – the provision of safe, quality healthcare. When the COVID-19 lockdown made face-to-face engagement impossible, the OHSC developed a webinar platform to sustain these valuable workshops.

The OHSC has adopted a consultative approach to developing inspection tools, involving relevant stakeholders from quite early in the process. This not only ensures that the tools take into consideration the different delivery models of various types of health establishment but generates a sense of ownership among key stakeholders and acceptance of the tools.

Section 79 (1)(e) of the NHA directs the OHSC to identify areas of concern and, where necessary, make recommendations for intervention by a national or provincial department of health, a municipal health department, or a health establishment to ensure compliance with prescribed norms and standards. In 2020/21, the OHSC produced three reports making recommendations on action to address common shortcomings in terms of complying with statutory norms and standards. These were based on data collected through inspections, the annual returns and EWS reports.

Shortcomings were commonly noted in relation to: management of patient records, infection prevention and control, clinical management, waiting times, and the reporting and management of adverse events. Feedback on these observed trends should ensure that the issues are addressed and that the health system is gradually improved.

Analysis of data gathered by the EWS revealed concerns in relation to the following: patients absconding from hospitals, harm caused to patients and staff, the unavailability of radiology services, and failures of water supply.

The reports were finalised by end of March 2021, but a misalignment of activities delayed their dissemination to the relevant authorities for intervention.

## Strategy to overcome underperformance

In 2020/21 the Health Standards Development and Training Sub-Programme fell short of delivering the intended number of guidance and support workshops. A plan has been developed to ensure the full workshop programme is delivered next year and that an enhanced webinar platform is available for use, if necessary.

The Health Systems, Data Analysis and Research Sub-Programme will increase the unit's access to statistical analysis software to produce rigorous and timeous analysis of the data it collects.

### Linking performance to budgets

| PROGRAMME | BUDGET | ACTUAL EXPENDITURE | (OVER)/UNDER EXPENDITURE |
|---|---|---|---|
| Health Standards Design, Analysis and Support | R12 743 929 | R9 189 268 | R3 554 661 |

The cancellation of face-to-face stakeholder workshops – or their conversion to digital format – saved on costs related to venues, travel and accommodation. Vacant posts were not filled during the course of the year due to scarcity of candidates with relevant skills.

## PROGRAMME 5: CERTIFICATION AND ENFORCEMENT

The purpose of the Certification and Enforcement programme is to certify compliant health establishments and take enforcement action against non-compliant health establishments. The programme is required to publish information relating to the certificates of compliance issued and enforcement action taken.

The envisaged outcome of the programme and its targets are set out below.

| OUTCOME: COMPLIANCE WITH NORMS AND STANDARDS IS INCREASED | | |
|---|---|---|
| Outcome indicator | Baseline | Five-year target |
| Percentage of health establishments issued with a certificate of compliance within 15 days of the date of the final inspection report | New indicator | 100% |
| Percentage of health establishments against which enforcement action has been initiated within 10 days of the date of the final additional inspection report | New indicator | 100% |
| Number of status reports on health establishment compliance published every six months | New indicator | 10 |

### Outcomes, outputs, targets and achievements

| PROGRAMME 5: CERTIFICATION AND ENFORCEMENT | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Outcome | Output | Output indicator | Audited actual performance 2018/19 | Audited actual performance 2019/20 | Planned performance 2020/21 | Actual achievement 2020/21 | Deviation of achievement from planned target 2020/21 | Reasons for deviation |
| Compliance with norms and standards increased | Compliant health establishments are issued with a certificate of compliance | Percentage of health establishments issued with a certificate of compliance within 15 days of the date of the final inspection report | New indicator | New indicator | 100% | 100% (33 issued for health establishments recommended for certification) | 0% | Certification of health establishments depends on the production of final inspection reports. Due to backlogs in the finalisation of reports, the 33 certificates issued in 2020/21 related to inspections undertaken in 2019/20. While the programme met its target time-frame, the total process of inspection and certification was prolonged |
| | Enforcement action is taken against non-compliant health establishments | Percentage of health establishments against which enforcement action has been initiated within 10 days of the date of the final additional inspection report | New indicator | New indicator | 100% | 0% | -100% | Although all non-compliant establishments were issued with compliance notices, enforcement only occurs after the finalisation of an additional inspection report that confirms persistent non-compliance. In 2020/21 reinspection of non-compliant facilities did not take place as a result of the disruptive impact of the COVID-19 pandemic and this delayed enforcement processes |
| | Health establishment compliance status reports are published | Number of health establishment compliance status reports published every six months | New indicator | New indicator | 2 | 1 | -1 | One report was published – the first since commencement of certification and enforcement processes. Internal processes require strengthening to ensure that all statutory reports are compiled, approved and published within the prescribed time frames |

*Achieved*

*Partially achieved*

*Not achieved*

## Achievement of strategic outcomes

The OHSC commenced the process of implementing its certification and enforcement framework for the first time in May 2020. This was, to a large degree, uncharted terrain and a number of unanticipated challenges arose.

There was a large backlog to be dealt with arising from inspections that had been conducted in 2019/20. The majority of health establishments inspected in that year had not achieved compliant status and were not eligible for certification. A common reason for them being regarded as non-compliant was their failure to take the opportunity to comment on – and potentially correct – findings made by the OHSC Inspectorate in the preliminary inspection report. Most simply failed to provide evidence of compliance with specific standards when requested to do so. In other instances, establishments provided evidence that was either irrelevant or not acceptable, revealing a lack of understanding of what was expected of them.

However, there were provinces where compliance of health establishments was higher and they responded to the preliminary findings, provided the relevant counter-evidence, and adhered to the prescribed timeframe.

The fact that 647 inspections conducted between July 2019 and March 2020 led to the issuing of only 33 certificates of compliance by March 2021 indicates that the OHSC still has a long road ahead in terms of certification and enforcement. All health establishments that were not compliant with the norms and standards were issued with compliance notices, giving them an opportunity to remedy the identified breaches. Additional inspections will be conducted in 2021/22 to take the process closer to conclusion.

## Strategy to overcome underperformance

The Certification and Enforcement Unit will work with the Compliance Inspectorate to review the entire inspection, certification, and enforcement process. The aim will be to improve effectiveness and remove obstacles to finalisation of the process. Improved communication and training on the processes will be necessary to secure effective participation by health establishments and other stakeholders.

### Linking performance to budgets

| PROGRAMME | BUDGET | ACTUAL EXPENDITURE | (OVER)/UNDER EXPENDITURE |
|---|---|---|---|
| Certification and Enforcement | R2 660 511 | R2 244 676 | R415 836 |

This programme, like others, had made budgetary provision for travel which was severely curtailed due to the COVID-19 pandemic.

## Summary on OHSC's COVID-19 response

The OHSC responded to the COVID-19 emergency by establishing a special committee to develop and implement a comprehensive response management plan aimed primarily at infection prevention and control in the workplace.

Measures included the development and implementation of COVID-19 protocols, procurement of personal protective equipment, identification of vulnerable groups, ensuring adequate ventilation of premises and social distancing of work stations, as well as regular communication with employees. Resources were provided to enable employees to work from home. Systems were put in place to assist employees infected with COVID-19, manage employees who were in contact with infected persons, and provide psychosocial support. Educational materials and information packages were shared with employees at various times, as understanding of the pandemic evolved.

## Inspecting field hospitals

In anticipation of an unprecedented demand for hospital care, government had commissioned a number of field hospitals to expand the capacity of the health system to provide treatment for COVID-19 patients and enable them to isolate from their households until they were no longer infectious. The OHSC, in consultation with Better Health Programme (BHP) consultants, developed assessment tools for field hospitals. The aim was to enable the Inspectorate to:

- Assess the readiness of these facilities to admit patients.
- Ensure that minimum standards were maintained to ensure safe care to users.

## Responding to complaints

The OHSC also received and attended to 29 complaints about COVID-19 care. They related to infection control breaches, non-adherence to COVID-19 protocols, denying services to patients who tested positive for COVID-19, withholding of information, and postponement of elective surgery due to COVID-19.

# PROGRAMME PERFORMANCE CONTINUED

## Details of OHSC response to COVID-19 pandemic

| VARIOUS OHSC PROGRAMMES | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Programme/sub-programme | Intervention | Geographic location | Number of beneficiaries | Disaggregation of beneficiaries | Budget allocation (R'000) performance 2020/21 | Budget spent | Contribution to 2020/21 performance plan outputs | Immediate outcomes |
| **Programme 1: Administration** | | | | | | | | |
| Human Resource Management | Developed and implemented comprehensive COVID-19 response plan | All employees of OHSC | All employees of OHSC (119 as at 31 March 2021) | N/A | Operational budget | Operational budget | The plan enabled all employees to sustain work towards their respective targets | Safe and healthy work environment for employees |
| Communication and Stakeholder Relations | Two media statements were issued by OHSC and its Board. They dealt with strengthening of infection control in health establishments and necessity of maintaining health standards | All provinces | Many thousands of newspaper readers and radio audiences | Public and private health establishments at primary care and hospital level | Operational budget | Operational budget | Awareness on the role of OHSC | Public and private sector awareness |
| **Programme 2: Compliance Inspectorate** | | | | | | | | |
| Compliance Inspectorate | Rapid inspections were conducted at 23 newly established field hospitals, isolation and quarantine facilities and repurposed structures to assess readiness for service and compliance with standards | Eastern Cape (3)<br>Free State (7)<br>Gauteng (1)<br>KwaZulu-Natal (3)<br>Mpumalanga (4)<br>North West (1)<br>Northern Cape (1)<br>Western Cape (3) | Users of 23 health establishments, including healthcare workers | Field hospitals (7)<br>Quarantine and/or isolation centres (12)<br>Extensions and repurposed facilities (4) | Operational budget | Operational budget | 23 rapid inspection reports issued to provinces | 23 rapid inspection reports issued to provinces |
| **Programme 3: Complaints Management and Office of the Ombud** | | | | | | | | |
| Complaints Management and Office of the Ombud | Received and responded to COVID-19-related complaints | Eastern Cape (1)<br>Free State (2)<br>Gauteng (13)<br>KwaZulu-Natal (8)<br>Limpopo (2)<br>Western Cape (3) | 29 users of health establishments | Women (13)<br>Men (10)<br>Gender not disclosed (6)<br>Youth (11)<br>Elderly (3) | Operational budget | Operational budget | Low risk complaints resolved | All 29 complainants accessed the service |
| **Programme 4: Health Standards Design, Analysis and Support** | | | | | | | | |
| Health Standards Design, Analysis and Support | Developed assessment tools for Inspectorate to assess field hospitals, isolation and/or quarantine facilities, and structures repurposed for COVID-19 response | NA | Users of 23 health establishments, including healthcare workers | Field hospitals (7)<br>Quarantine and/or isolation centres (12)<br>Extensions & repurposed facilities (4) | Operational budget | Operational budget | N/A | Safe and quality care to users of field hospitals, quarantine sites and isolation sites |
| **Programme 5: Certification and Enforcement** | | | | | | | | |
| Certification and Enforcement | Reviewed rapid inspection reports and investigations triggered by early warning system for compliance with legislative framework | Eastern Cape (1)<br>Gauteng (1)<br>Limpopo (1)<br>Mpumalanga (1) | Healthcare users<br>Health establishments | Hospitals | Operational budget | Operational budget | Reports containing findings and recommendations were issued to health establishments | Reports compliant with the legislative framework |

# REVENUE COLLECTION

The OHSC is funded entirely by an allocation from National Treasury under the Health Vote and interest that accrues on this amount. The original allocation to the OHSC for 2020/21 was R143 970 000. However, due to the pressures exerted on the national fiscus by the COVID-19 pandemic, the Office's allocation was reduced by R6.32m to about R137.65m, some 4.4% lower than the initial amount.

### Linking performance to budgets

| PROGRAMME | BUDGET 2020/21 | ACTUAL REVENUE 2020/21 | (OVER)/UNDER INCOME |
|---|---|---|---|
| Government grant and subsidy | R143 970 000 | R137 648 000 | R6 322 000 |
| Interest received | | R1 545 588 | (R1 545 588) |
| **TOTAL** | | **R139 193 588** | **R4 776 412** |

The withholding of R6.32m from the intended government grant was offset in part by operational savings on items such as travel and accommodation and lower than expected personnel costs due to some vacant posts.

Additional revenue was generated in the form of interest received on short-term investments. This revenue was lower than in the prior year due to reduced interest rates.

# CAPITAL INVESTMENT

During the year under review, there were no capital projects undertaken. The purchase of assets was largely related to normal tools of trade in the course of business.

A full asset verification exercise was undertaken, and an asset register was maintained during the year. The assets of the entity were generally in good condition.

The carrying amounts of the assets are reported in the relevant section of the annual financial statements.

# PART C: GOVERNANCE

# GOVERNANCE

## Introduction

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, corporate governance with regard to public entities is applied through the precepts of Chapter 6 of the Public Finance Management Act (PFMA), read with the principles of the King IV Report on Corporate Governance.

Parliament, the Executive Authority and the Accounting Authority of the OHSC are responsible for maintaining sound corporate governance.

## Portfolio Committee

The Portfolio Committee on Health plays an oversight role in respect of activities of the OHSC, and helps inform the public about its role in the health sector. There were no presentations to the Portfolio Committee on Health in 2020/21 due to the disruptive effect of the COVID-19 pandemic.

## Executive Authority

The Minister of Health is the Executive Authority for the OHSC. A meeting was held with the Minister on 16 October 2020 to discuss the Office's performance and budgetary constraints on the Office meeting performance targets and fulfilling its legislative mandate.

## Accounting Authority

The OHSC Board, appointed by the Minister of Health in terms of the NHAA, is the organisation's Accounting Authority. It provides strategic leadership and holds overall responsibility for the performance and governance of the OHSC. The Board has delegated the management of day-to-day operations to the Chief Executive Officer.

The Board operates under an approved Board charter and ensures that financial and risk management measures and internal controls are effective, as required by the PFMA. Each member of the Board possesses relevant skills, experience and competencies to perform his or her role of strategic guidance and oversight. The Board remains aware of legislative prescripts binding the OHSC and relevant codes of best practice, including:

- The NHA and NHAA.
- The PFMA and Treasury Regulations.
- Income Tax Act of1962 and Value Added Tax Act of 1991.
- Protocol on Corporate Governance for the Public Sector 2002.
- King IV Code on Corporative Governance.

**Dr EM Kenoshi**
Chairperson

**Ms OA Montshiwa**
Deputy Chairperson

**Dr M Sengwana**
Board member

**Dr Adv M Peenze**
Board member

**Mr AK Hoosain**
Board member

**Ms R Msibi**
Board member

**Prof KC Household**
Board member

**Prof K Mfenyana**
Board member

**Prof MN Chetty**
Board member

**Prof U Chikte**
Board member

**Dr L Simelane**
Board member

## Responsibilities of the Board

The primary responsibilities of the Board are:

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

During the period under review, the Board continued to provide management with strategic direction. With the onset of the COVID-19 pandemic and introduction of disaster management regulations, it monitored and reviewed quarterly performance reports in terms of management's plan to repurpose the organisation in order to sustain progress against objectives contained in the organisation's strategic plan.

The more specific responsibilities of the Board are to:

- Retain full and effective control over the OHSC and monitor implementation of strategic plans and Board-approved financial, environmental, and social objectives.
- Define levels of authority, reserving specific powers to itself and delegating other matters, with the necessary written authority, to the CEO.
- Monitor the delegation of authority.
- Ensure that an appropriate system of policies and procedures is in place and maintained and that suitable governance structures exist for the smooth, efficient, and prudent stewardship of the OHSC.
- Ensure OHSC compliance with all relevant laws and regulations, audit and accounting standards, codes of conduct and best business practices.
- Regularly review and evaluate business risks to the OHSC and ensure that comprehensive, appropriate internal controls exist to mitigate such risks.
- Exercise objective judgment about the business affairs of the OHSC, independently of management but with sufficient management information.
- Monitor matters relevant to the business of the OHSC and ensure responsible conduct towards all relevant stakeholders.

With the assistance of the internal audit function, the Board manages and protects the financial position of the OHSC and ensures:

- There is strict adherence to the PFMA and Treasury Regulations.
- The annual financial statements fairly present the business of the entity, contain proper disclosures and conform with requirements of Treasury Regulations.
- Appropriate internal controls and regulatory compliance, policies, procedures and processes are in place, and that relevant non-financial aspects are identified and monitored.
- There is a sound communication policy and effective stakeholder management framework and that the OHSC communicates regularly, openly and promptly with its staff and all relevant stakeholders.

In addition, the Board:

- Implements and maintains an effective organisational risk management framework and ensures that the key risk areas and key performance indicators of the OHSC are identified and monitored.
- Reviews the strategic direction of the OHSC and adopts business plans proposed to achieve strategic objectives.
- Reviews processes to ensure that the OHSC complies with key legal obligations.
- Delegates appropriate authority to the CEO for capital expenditure and reviews investment, capital and funding proposals.
- Oversees performance against agreed targets and objectives.
- Provides leadership and vision to enhance value and ensure the long-term sustainability of the OHSC.

## Board constitution

Board activities are undertaken in line with the Board constitution which identifies the roles and responsibilities of the Board in relation to the interactions with management and sets out the fiduciary duties of the individual Board members and the role of the Chairperson. The Board constitution further deals with the management of conflicts of interest to ensure that the interests of the OHSC remain paramount in its decision-making processes. The constitution is reviewed annually.

## Composition of the Board

The Board comprised 11 non-executive members appointed by the Minister of Health in terms of section 79B of the NHAA. The CEO and the CFO are ex officio members of the Board. The term of office of the current Board commenced on 2 February 2020 and will end on 1 February 2023. There is diversity in the Board in terms of skills and competencies, as prescribed by section 79B of the NHAA.

There were no resignations, outgoing members or new appointments during the year under review. There were also no alternate members.

Details of members of the Board and their attendance at meetings appear in the table that follows.

**OHSC Board members' qualifications, expertise, other directorships, committee membership and meeting attendance**

| Name | Date appointed | Date resigned | Qualifications | Area of expertise | Board directorships | Committee memberships | Board meetings attended |
|---|---|---|---|---|---|---|---|
| Dr E M Kenoshi (Chairperson) | 07/02/2020 | NA | MBChB, DTM&H<br>MPH (Hospital Management)<br>Advanced Certificate in Healthcare Management | Public health | None | EXCO | 12 of 12 |
| Ms OA Montshiwa (Deputy Chairperson) | 07/02/2020 | NA | Diplomas in General Nursing Diploma in Midwifery<br>Bachelor of Nursing Honours in Community Health | Nursing | | HR and Rem<br>CEC Com<br>EXCO | 11 of 12 |
| Prof MN Chetty (Member) | 07/02/2020 | NA | MBChB, FCFP (SA),<br>Masters in Family Medicine<br>MPH (USA)<br>DTM+H<br>DOH<br>DHSM | Setting of quality standards and best practice | KZN Doctors Healthcare Coalition<br>IPA Foundation of SA<br>UKUSA Healthcare Consultants | CEC Com | 11 of 12 |
| Mr AK Hoosain (Member) | 07/02/2020 | NA | B Com Honours<br>CA (SA)<br>Certificate in Forensic Accounting, MBA | Accounting | Council for Medical Schemes<br>SAICA<br>University of Western Cape | ARF Committee<br>EXCO | 11 of 12 |
| Prof K Mfenyana (Member) | 07/02/2020 | NA | Teaching Diploma<br>BSc<br>MBChB<br>Masters in Family Medicine | Academic | Health Professions Council of SA | CEC Com | 12 of 12 |
| Dr L Simelane (Member) | 07/02/2020 | NA | BSc<br>MBChB<br>University Education Diploma<br>BSc (Zoology and Botany) | Public health | None | CEC Com | 11 of 12 |
| Ms R Msibi (Member) | 07/02/2020 | NA | Degree: Nursing Administration and Education<br>NHD: General, Midwifery and Psychiatry<br>ND: Unit Management<br>ND: Primary Healthcare | Labour | None | CEC Comm<br>HR and Rem Com | 10 of 12 |
| Dr M Sengwana (Member) | 07/02/2020 | NA | ND: General, Community and Psychiatry<br>ND: Critical Care Nursing Science MPH<br>DPhil | Research | None | CEC Com<br>ARF Committee | 9 of 12 |
| Dr Adv M Peenze (Member) | 07/02/2020 | NA | Doctor Technologiae: Business Administration<br>Magister Legum: Human Rights<br>Baccalaureus Legum<br>Baccalaureus Iuris | Law<br>Human rights<br>Governance | Advisory Council of International Association of Certified Fraud Examiners<br>Road Accident Fund<br>South African Institute for Drug-Free Sport | ARF Committee<br>HR Com<br>EXCO | 12 of 12 |

# GOVERNANCE CONTINUED

| Name | Date appointed | Date resigned | Qualifications | Area of expertise | Board directorships | Committee memberships | Board meetings attended |
|---|---|---|---|---|---|---|---|
| Prof U Chikte (Member) | 07/02/2020 | NA | PhD<br>MSc<br>MDent<br>DHSM<br>BChD | Education | None | HR and Rem Com | 10 of 12 |
| Prof K Household (Member) | 07/02/2020 | NA | MBChB | Public health and management | South African Health Products Regulatory Authority, St Luke's Community Hospice | ARF Committee | 11 of 12 |

## Board sub-committees

The Board has established three sub-committees to assist in discharging its duties: the Audit, Risk and Finance Committee (ARF Committee), the Certification and Enforcement Committee (CEC), and the Human Resources and Remuneration Committee (HR and Rem Com). Sub-committee functions are set out in Board-approved terms of reference.

In addition, there is a Board Executive Committee.

### Membership of Board sub-committees and meetings attended

| Committee | Number of meetings held | Number of members | Names of members | Number of meetings attended |
|---|---|---|---|---|
| **Audit, Risk and Finance Committee (ARF Committee)** | Ordinary: 4<br>Special: 3 | 4 | Mr AK Hoosain (Chairperson) | 6 |
| | | | Dr Adv M Peenze | 7 |
| | | | Dr M Sengwana | 6 |
| | | | Prof K Household | 6 |
| **Certification and Enforcement Committee (CEC)** | 4 | 6 | Ms OA Montshiwa (Chairperson) | 5 |
| | | | Prof MN Chetty | 5 |
| | | | Dr M Sengwana | 4 |
| | | | Ms R Msibi | 3 |
| | | | Prof K Mfenyana | 4 |
| | | | Dr L Simelane | 5 |
| **Human Resource and Remuneration Committee (HR and Rem Com)** | 4 | 4 | Dr Adv M Peenze (Chairperson) | 4 |
| | | | Ms R Msibi | 3 |
| | | | Prof U Chikte | 4 |
| | | | Ms OA Montshiwa | 2 |
| **Executive Committee of the Board** | 1 | 1 | Dr E Kenoshi | 1 |
| | | | Ms OA Montshiwa | 1 |
| | | | Mr AK Hoosain | 1 |
| | | | Dr Adv M Peenze | 1 |

## Remuneration of Board members

Board members are remunerated for preparation for and attendance of meetings at an hourly rate, in accordance with National Treasury tariffs for office-bearers of certain statutory and other institutions. The OHSC Board is classified under Category A, Sub-category A2 of the National Treasury tariffs. Remuneration paid to each member in 2020/21 is reflected in the annual financial statements under Related Parties Transactions (Note 23).

Board members who are employees of government departments, agencies and entities are not paid any fees but are refunded for disbursements.

## Risk management

The Board's risk management policy requires management to conduct regular risk assessments to determine the effectiveness of the OHSC risk management strategy and identify new and emerging risks. A strategic risk register is in place and it identifies major strategic risks facing the entity. Controls and mitigation measures are continuously monitored for effectiveness and new control measures are introduced where inadequacies are identified.

The internal audit function plays an important role in the conduct of risk-based audits, enabling management to take action to address the identified gaps.

As the Accounting Authority, the Board is ultimately responsible for risk management and has undertaken the following:

- Establishing an appropriate level of risk for the OHSC.
- Monitoring and reviewing the extent to which management has established effective risk management measures in all units.
- Ensuring that management implements ongoing processes to identify, assess and manage risks.
- Forming an opinion about the effectiveness of risk management processes and providing guidance to management.
- Ensuring the risk management process is formally evaluated on an annual basis.

The ARF Committee advises the Board on risk management and independently monitors the effectiveness of the risk management system in use.

### Materiality and significance framework

The Board has, in accordance with Treasury Regulations, developed a materiality and significance framework appropriate to the size and operations of the OHSC.

### Materiality

Taking into account the guidelines in National Treasury's Practice Note on Applications Under Section 54 of the PFMA by Public Entities, the OHSC materiality amount was set at R1 313 293 – that is, 1% the total revenue of R131 329 293 in the 2019/20 financial year.

### Significance

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

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

## Internal control unit

Internal control systems serve to create confidence in the financial position of the OHSC, safeguard assets (including information) and ensure compliance with applicable laws, regulations and government policy prescripts. Internal auditors monitor the functioning and effectiveness of internal control systems and make recommendations to management and the ARF Committee. The latter reports to the Board on the internal control environment in the OHSC and, where necessary, the Board adopts recommendations from the committee to improve internal control.

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

The AGSA and internal auditors considered the internal control systems as part of the annual audit and planned audits respectively and identified some deficiencies. In response, management implemented agreed action plans to address the deficiencies and reported progress to the ARF Committee with the aim of achieving an acceptable audit outcome in the next financial year.

## Internal audit and ARF Committee

The internal audit function has been outsourced for a three-year period during which the entity will review its status to determine if it could be performed internally. Internal audit provides independent assurance to the Board about the internal control environment in relation to business operations.

The internal audit function operates in terms of the internal audit charter adopted by the Board on the recommendation of the ARF Committee. This outlines the scope of the function and defines role, responsibilities and authority. The internal audit function operates under the guidance and support of the ARF Committee. However, the OHSC recognises that internal

auditing is an independent, objective activity designed to add value through a systematic approach to evaluating and improving the effectiveness of risk management, control and governance processes.

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

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

### Members of ARF Committee and their meeting participation

| Name | Qualifications | Internal or external | If internal, position in OHSC | Date appointed | Date resigned | Number of meetings attended |
|---|---|---|---|---|---|---|
| Mr AK Hoosain | B Com Hons<br>CA (SA)<br>Certificate in Forensic Accounting<br>MBA | External | – | 07/02/2020 | – | 6 |
| Prof K Househam | MBCHB | External | – | 07/02/2020 | – | 6 |
| Dr Adv M Peenze | Doctor Technologiae: Business Administration<br>Magister Legum: Human Rights<br>Baccalaureus Legum<br>Baccalaureus Iuris | External | – | 07/02/2020 | – | 7 |
| Dr M Sengwana | ND: General, Community and Psychiatry<br>ND: Critical Care Nursing Science<br>MPH<br>Doctor of Philosophy | External | – | 07/02/2020 | – | 6 |

## Compliance with laws and regulations

The Board is responsible for ensuring compliance with all applicable laws and regulations, the most significant of which are its founding statute, the NHAA, and the PFMA and Treasury Regulations, which govern public entities.

To give effect to its commitment to compliance, the Board has approved a compliance framework document and management uses the PFMA compliance checklist to monitor compliance with the PFMA and report to the Board through the ARF Committee.

## Fraud and corruption

The Board is committed to combatting all forms of fraud and corruption. A fraud and corruption prevention plan is in place to create awareness and guide employees on how to report suspected cases of fraud and corruption. The Board is confident that the employees and stakeholders will use the relevant reporting channels, including a fraud hotline.

The fraud and corruption prevention plan creates a system of internal controls to assist in preventing and detecting fraud and corruption. Elements of the system are: creating a fraud awareness culture, developing policies and procedures, implementing segregation of duties in business transactions, internal auditing, ongoing risk assessment, and reporting and monitoring allegations of fraud and corruption. The Board, through the ARF Committee, monitors and reviews risk relating to fraud and corruption.

## Minimising conflict of interest

On an annual basis, Board members and OHSC senior managers are required to disclose their financial interests. Furthermore, at every OHSC senior management and Board meeting, members sign declaration of interests register indicating if there is a potential conflict of interest related to any agenda item, in which case they must recuse themselves during discussion of that item.

## Code of conduct

The Board charter includes a code of conduct for Board members. This is based on principles of honesty, integrity and ethical leadership and serves as a guide to Board members on protecting OHSC assets and information, as well as managing conflicts of interest.

The OHSC code of conduct for employees is premised on the same principles and aims to protect the reputation of the Office by guiding employees in their interactions with one another and the public.

OHSC inspectors, who possess considerable authority in relation to health establishments, are required to sign a code of conduct for inspectors.

During the year under review, there were no reported instances of ethical breaches by Board members or employees.

Disciplinary measures would be taken by the OHSC against any employee who breaches the applicable code, while unethical conduct by a Board member would be referred to the Minister of Health for appropriate action.

## Health, safety and environmental issues

The OHSC has created the required occupational health and safety structures to ensure the work environment is conducive to the health of all staff members. The new health and safety committee comprises representatives of employees and management as well as a union representative. The committee holds quarterly meetings.

## Board Secretary

The Board Secretary provides secretariat services and administrative support to the OHSC Board and committees to ensure their effective and efficient functioning. She also provides legal advice to them when called upon to do so.

## Social responsibility

There were no social responsibility activities in the reporting period.

## Audit, Risk and Finance Committee Report

The Audit, Risk and Finance Committee (ARF Committee) is pleased to present its report for the financial year ended 31 March 2021.

### ARF Committee responsibility

During the review period, the ARF Committee complied with its responsibilities in terms of section 51(1) (a) (ii) of the PFMA and Treasury Regulation 27.1, adopted appropriate formal terms of reference as its charter, regulated its affairs in compliance with the charter and discharged the responsibilities described therein.

### The effectiveness of internal control

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

### In-year monitoring and quarterly reports

The OHSC submitted quarterly reports to the Executive Authority. The ARF Committee reviewed the reports and recommended them to the Board for approval. The Committee is satisfied with the progress reported by management in implementing plans and the Office's achievements as at the end of the 2020/21 financial year. The Committee will continue to monitor and review the implementation of action plans to ensure that there is an improvement from the baseline set in the prior years of operation.

### Evaluation of annual financial statements

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

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

**Kariem Hoosain**
Chairperson
Audit, Risk and Finance Committee

29 July 2021

## B-BBEE compliance information

| Application of relevant aspects of the Code of Good Practice (B-BBEE Certificate Levels 1 – 8) | | |
|---|---|---|
| **Criteria** | **Response** | **Discussion** |
| Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law | No | Not applicable to OHSC |
| Developing and implementing a preferential procurement policy | Yes | OHSC supply chain management policy outlines the process to be followed to contribute to implementation of the Preferential Procurement Policy Framework Act |
| Determining qualification criteria for the sale of state-owned enterprises | No | Not applicable to OHSC |
| Developing criteria for entering into partnerships with the private sector | No | Not applicable to OHSC |
| Determining criteria for the awarding of incentives, grants and investment schemes in support of broad-based black economic empowerment | No | Not applicable to OHSC |

# PART D:
# HUMAN RESOURCES

# HUMAN RESOURCE MANAGEMENT

## Overview of HR matters at the OHSC

The Human Resource Management Unit provides integrated human resources services to enable the OHSC to achieve its strategic objectives by creating a conducive and productive workplace environment.

In the year under review, significant human resources initiatives occurred in relation to staff recruitment, COVID-19 management, the employee wellness programme, training and development, performance management, and implementation of a new organisational structure.

## Achievements of 2020/21

### COVID-19: protecting and supporting employees

The OHSC developed a comprehensive COVID-19 response plan, appointed a dedicated committee to oversee implementation, and took the necessary infection control and disease prevention measures in the workplace.

The plan's preventive measures included raising awareness among employees and keeping them informed of changing circumstances, the development and implementation of COVID-19 protocols, procurement of personal protective equipment, identification of vulnerable employees, ensuring adequate ventilation of offices, and placement of social distancing markers.

Protocols set out clearly how to respond to infected employees, those who had been exposed and might be infected, and obligations regarding quarantine and isolation. The OHSC recognised the importance of providing psychosocial support to all staff and providing them with the resources to work from home when the situation demanded this.

Employees who tested positive for COVID-19 were provided with support during self-isolation by means of access to a WhatsApp group and professional counselling through the employee wellness programme.

### Employee wellness programme

The wellness of employees is important to the OHSC and in 2020/21 it appointed an external service provider to deliver employee wellness services. By using an external provider, the Office can reassure employees that services are confidential. Benefits offered during the year were a health risk assessment, pre-retirement consultation for all employees over 60 years, and a presentation on mental health in the context of COVID-19.

### Recruitment programme

In the year under review, 127 positions were funded and, as at 31 March 2021, a total of 119 positions were filled. This translates to 94% of funded posts and represents a slight improvement on the ratio at the end of 2019/20, which stood at 92%. It was a challenging year to conduct recruitment, but an online system for the submission of applications served the Office well. Our endeavours to recruit and retain skilled employees include training and development opportunities, which are informed by the training needs identified by employees and their supervisors.

### Performance management

Despite the lockdown, a performance management system was implemented to encourage employees to perform to the best of their abilities and enhance productivity. The system aims to ensure that employees have clarity and focus in executing their tasks. In addition, individual personal development plans, which form part of performance management, have been taken on board in the OHSC's workplace skills plan.

### Training and development

As indicated above, employees' identified training needs are the basis of the consolidated workplace skills plan, in terms of which 85 employees participated in skills development programmes. These included conferences, seminars, workshops and short courses. They were designed to strengthen generic management competencies and build skills that are particularly related to the OHSC's mandate, enforcing compliance with norms and standards.

### Implementing the new organogram

A service provider was procured to assist the OHSC implement its revised organisational structure. This process will be concluded in the new financial year.

## Challenges encountered

Despite the above progress, the OHSC faced a number of challenges in respect of human resource management.

### Limited personnel funding

Due to budgetary constraints, only 52% of posts on the organisational structure – 127 out of 245 – are currently funded. Ultimately, this affects the setting of targets and delivery on the OHSC's mandate – which could have a knock-on effect in terms of NHI implementation and other broad health sector initiatives.

# HUMAN RESOURCE MANAGEMENT CONTINUED

## Recruitment under lockdown

During lockdown, it was a challenge to fast-track recruitment. Although a significant number of posts were filled by the end financial year, few appointments were made within four months of the vacancy occurring, as envisaged in the annual performance plan.

## Training and development

COVID-19 caused delays in some training programmes, as service providers had to phase in virtual training platforms to comply with social distancing requirements. Procuring of service providers during lockdown was also challenging as many companies were not operational.

## Future HR plans

In 2021/22, the OHSC will prioritise:

- Implementation of the revised organisational structure.
- The review of policies to ensure that they align with the new structure and needs of the organisation.
- The changeover to the newly procured integrated payroll and HR software.
- Management of COVID-19 in the workplace, responding to new developments and educating employees on these changes.

## Human resource oversight statistics

### Personnel costs by programme 2020/21

| Programme | Total expenditure | Personnel expenditure | | Number of employees (31/3/21) | Average personnel cost per employee |
|---|---|---|---|---|---|
| | | Rands | % of total expenditure | | |
| Administration | 64 451 872 | 24 214 238 | 18 | 32 | 774 482 |
| Compliance Inspectorate | 40 988 501 | 36 166 234 | 27 | 54 | 669 745 |
| Compliance Management and Ombud | 18 839 509 | 18 492 760 | 14 | 20 | 924 638 |
| Health Standards Design, Analysis, Support | 9 189 268 | 8 683 889 | 6 | 10 | 868 389 |
| Certification and Enforcement | 2 244 676 | 2 224368 | 2 | 3 | 741 456 |
| **Total** | **R135 713 826** | **R89 781 489** | **66** | **119** | **R754 466** |

### Personnel costs by salary band 2020/21

| Level | Personnel expenditure | | Number of employees (31/3/21) | Average cost per employee |
|---|---|---|---|---|
| | Rands | % of total personnel cost | | |
| Executive management | 8 463 902 | 9 | 5 | 1 692 780 |
| Senior management | 10 148 536 | 11 | 9 | 1 127 615 |
| Professionally qualified, experienced specialists and middle management | 25 624 | 29 | 26 | 985 547 |
| Skilled technical and academically qualified workers, junior management and supervisors | 32 763 348 | 36 | 57 | 574 796 |
| Semi-skilled and discretionary decision-making | 12 781 474 | 14 | 22 | 580 976 |
| **Total** | **R89 781 489** | **100** | **119** | **R754 466** |

### Performance rewards 2020/21

| | Performance awards | Personnel expenditure | Performance awards as % of personnel expenditure |
|---|---|---|---|
| Executive management | – | 8 463 902 | 0 |
| Senior management | – | 10 148 536 | 0 |
| Professionally qualified, experienced specialists and middle management | – | 25 624 | 0 |
| Skilled technical and academically qualified workers, junior management, supervisors | – | 32 763 348 | 0 |
| Semi-skilled and discretionary decision-making | – | 12 781 474 | 0 |
| **Total** | **–** | **R89 781 489** | **0** |

### Training costs 2020/21

| | Training expenditure | | | |
|---|---|---|---|---|
| Personnel expenditure | Rands | % of personnel spending | Number of employees trained | Average training cost per employee |
| 89 781 489 | 393 210 | 0.44% | 89 | 4 626 |

### Employment and vacancies by programme 2020/21

| Programme | Number of employees 2019/20 | Funded approved posts | Number of employees 2020/21 | Vacancies | % of posts vacant |
|---|---|---|---|---|---|
| Administration | 29 | 35 | 32 | 3 | 8.6 |
| Certification and Enforcement | 2 | 3 | 3 | 0 | 0 |
| Compliance Inspectorate | 54 | 55 | 54 | 1 | 1.8 |
| Complaints Management | 19 | 22 | 20 | 2 | 9.1 |
| Health Standards, Design, Analysis & Support | 11 | 12 | 10 | 2 | 16.7 |
| **Total** | **115** | **127** | **119** | **8** | **6.3** |

### Employment and vacancies by post level 2020/21

| Level of post | Number of employees 2019/20 | Funded approved posts | Number of employees 2020/21 | Vacancies | % of posts vacant |
|---|---|---|---|---|---|
| Top management | 4 | 6 | 5 | 1 | 17 |
| Senior management | 9 | 13 | 9 | 4 | 30.1 |
| Professionally qualified | 27 | 27 | 26 | 1 | 43.7 |
| Skilled | 55 | 58 | 57 | 1 | 21.7 |
| Semi-skilled | 20 | 23 | 22 | 1 | 4.3 |
| Unskilled | 0 | 0 | 0 | 0 | 0 |
| **Total** | **115** | **127** | **119** | **8** | **6.3** |

All vacant executive and senior management posts were advertised. At the end of the reporting year, there were five vacancies in these categories. Recruitment processes continued in the new financial year to fill the remaining vacancies.

# HUMAN RESOURCE MANAGEMENT CONTINUED

### Employment changes by post level 2020/21

| Salary band | Employment at 1/4/2020 | Appointments | Terminations | Employment at 31/3/2021 |
|---|---|---|---|---|
| Top management | 4 | 1 | | 5 |
| Senior management | 9 | 3 | 3 | 9 |
| Professionally qualified | 27 | 2 | 3 | 26 |
| Skilled | 54 | 6 | 3 | 57 |
| Semi-skilled | 18 | 5 | 1 | 22 |
| Unskilled | 0 | 0 | 0 | 0 |
| **Total** | **112** | **17** | **10** | **119** |

During the year under review, 17 new appointments were made and the employment of 10 employees was terminated for reasons including resignation, retirement and expiry of contract.

### Reasons for staff leaving 2020/21

| Reason | Number | % of total number of staff leaving |
|---|---|---|
| Death | 0 | 0 |
| Resignation | 5 | 50 |
| Dismissal | 0 | 0 |
| Retirement | 4 | 40 |
| Ill health | 0 | 0 |
| Expiry of contract | 1 | 10 |
| Other | 0 | 0 |
| **Total** | **10** | **100** |

### Labour relations: misconduct and disciplinary action 2020/21

| Nature of disciplinary Action | Number |
|---|---|
| Verbal warning | 0 |
| Written warning | 0 |
| Final written warning | 0 |
| Dismissal | 0 |

### Equity targets and employment equity status: male employees 2020/21

| | Male | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | African | | Coloured | | Indian | | White | |
| Levels | Current | Target | Current | Target | Current | Target | Current | Target |
| Top management | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior management | 4 | 5 | 0 | 1 | 1 | 1 | 0 | 1 |
| Professional | 7 | 8 | 1 | 1 | 0 | 0 | 0 | 0 |
| Skilled | 14 | 11 | 0 | 1 | 0 | 0 | 1 | 1 |
| Semi-skilled | 9 | 7 | 0 | 1 | 0 | 0 | 0 | 1 |
| Unskilled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **36** | **33** | **1** | **4** | **1** | **1** | **1** | **3** |

### Equity targets and employment equity status: female employees 2020/21

| | Female | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | African | | Coloured | | Indian | | White | |
| Levels | Current | Target | Current | Target | Current | Target | Current | Target |
| Top management | 2 | 2 | 0 | 1 | 1 | 0 | 0 | 0 |
| Senior management | 3 | 3 | 1 | 0 | 1 | 0 | 0 | 1 |
| Professional | 17 | 17 | 0 | 0 | 0 | 0 | 1 | 1 |
| Skilled | 42 | 43 | 0 | 0 | 0 | 0 | 0 | 0 |
| Semi-skilled | 12 | 13 | 0 | 0 | 0 | 1 | 1 | 1 |
| Unskilled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **76** | **78** | **1** | **1** | **2** | **1** | **2** | **3** |

### Equity targets and employment equity status: employees with disabilities 2020/21

| | Disabled Staff | | | |
|---|---|---|---|---|
| | Male | | Female | |
| Levels | Current | Target | Current | Target |
| Top management | | | | |
| Senior management | | | | |
| Professionally qualified | | | | |
| Skilled | | | | |
| Semi-skilled | 0 | 1 | 1 | 1 |
| Unskilled | | | | |
| **Total** | **0** | **1** | **1** | **1** |

A concerted effort was made during the year under review to ensure that the workforce composition reflects the demographics of South African society, and that opportunities were afforded to candidates from historically disadvantaged groups. The gap between equity status and targets is largely due to the unavailability of suitable candidates from the preferred groups.

# PART E:
# FINANCIAL INFORMATION

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

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Office of Health Standards Compliance set out on pages 63 to 90, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of Health Standards Compliance as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

### Basis for opinion

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

4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

### Responsibilities of the Accounting Authority for the financial statements

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

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

### Auditor-General's responsibilities for the audit of the financial statements

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

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

## Report on the audit of the annual performance report

### Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

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

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

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the entity's annual performance report for the year ended 31 March 2021:

| Programmes | Pages in the annual performance report |
|---|---|
| Programme 3 – Complaints Management and Ombud | 33 to 35 |

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

14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
    - Programme 3 – Complaints Management and Ombud.

### Other matters

15. I draw attention to the matters below.

### Achievement of planned targets

16. Refer to the annual performance report on pages 34 to 35 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

### Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Programme 3 – Complaints Management and Ombud. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## Report on the audit of compliance with legislation

### Introduction and scope

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

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

## Other information

20. The Accounting Authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

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

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

23. I did not receive the annual report prior to the date of this auditor's report. When I do receive this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and to re-issue an amended report. However, if it is corrected this will not be necessary.

## Internal control deficiencies

24. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor - General

**Pretoria**
**30 July 2021**

AUDITOR-GENERAL SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-General's responsibility for the audit

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

### Financial statements

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

   - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
   - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Office of Health Standards Compliance to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a the entity to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

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

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

# PART E: FINANCIAL INFORMATION

# ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Accounting Authority is required by the Public Finance Management Act (No 1 of 1999) (PFMA), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

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

The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2022 and, in the light of this review and the current financial position, it is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

The annual financial statements set out on pages 63 to 90, which have been prepared on the going concern basis, were approved by the Accounting Authority on 29 July 2021 and were signed on its behalf by:

**Dr S Mndaweni**
*Chief Executive Officer*

**Dr E Kenoshi**
*Chairperson of the Board*

# ACCOUNTING AUTHORITY'S REPORT

The Accounting Authority submits its report for the year ended 31 March 2021.

## 1. Incorporation

The OHSC is a Schedule 3A PFMA public entity established in terms of the National Health Amendment Act (No 12 of 2013). It commenced operation on the 1 April 2015 and its Executive Authority is the Minister of Health.

## 2. Review of activities

### Main business and operations

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

- Monitoring and enforcing compliance by health establishments with norms and standards prescribed by the Minister of Health in relation to the national health system.
- Ensuring consideration, investigation and disposal of complaints related to non-compliance with prescribed norms and standards in a procedurally fair, economical and expeditious manner.

Net surplus of the entity was R6 112 583 (2020: deficit R10 389 142). The prior deficit was funded from the prior years' surpluses, as approved by National Treasury.

## 3. Going concern

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

We draw attention the fact that as at 31 March 2021, the entity had accumulated surplus of R54 724 332 and that the entity's total assets exceeds it liabilities by R54 724 332. The surplus arose largely due to the impact of COVID-19 on travel costs, vacant posts during the course of the year, some prior year commitments not undertaken due to COVID-19, as well as multi- year commitments on ICT projects.

## 4. Subsequent events

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

## 5. Accounting policies

The annual financial statements have been prepared in accordance with the Statement of Generally Recognised Accounting Practices (GRAP), including any interpretations of such statements issued by the Accounting Standard Boards as prescribed by National Treasury.

# STATEMENT OF FINANCIAL POSITION
## AS AT 31 MARCH 2021

| Figures in Rand | Note(s) | 2021 | 2020 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Receivables from exchange transactions | 3 | **1 130 353** | 1 249 253 |
| Receivables from non-exchange transactions | 4 | **15 700** | 15 700 |
| Cash and cash equivalents | 5 | **51 016 549** | 42 730 004 |
| | | **52 162 602** | 43 994 957 |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **11 491 956** | 14 525 247 |
| Intangible assets | 7 | **4 075 435** | 5 498 599 |
| | | **15 567 391** | 20 023 846 |
| **Total assets** | | **67 729 993** | 64 018 803 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Operating lease liability | 8 | **627 405** | 1 319 693 |
| Payables from exchange transactions | 9 | **5 076 226** | 4 598 042 |
| Provisions | 10 | **7 302 030** | 7 259 508 |
| | | **13 005 661** | 13 177 243 |
| **Total liabilities** | | **13 005 661** | 13 177 243 |
| **Net assets** | | **54 724 332** | 50 841 560 |
| Accumulated surplus | | **54 724 332** | 50 841 560 |
| **Total net assets** | | **54 724 332** | 50 841 560 |

# STATEMENT OF FINANCIAL PERFORMANCE
## FOR THE YEAR ENDED 31 MARCH 2021



| Figures in Rand | Note(s) | 2021 | 2020 |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Interest received – investment | 11 | **1 545 588** | 2 758 502 |
| **Revenue from non-exchange transactions** | | | |
| **Transfer revenue** | | | |
| Government grants and subsidies | 12 | **137 648 000** | 136 471 000 |
| In-kind donation | 13 | **–** | 4 437 075 |
| **Total revenue from non-exchange transactions** | | **137 648 000** | 140 908 075 |
| **Total revenue** | 14 | **139 193 588** | 143 666 577 |
| **Expenditure** | | | |
| Compensation of employees | 15 | **(89 781 490)** | (97 379 641) |
| Board fees and related costs | 28 | **(959 202)** | (2 104 341) |
| Depreciation and amortisation | 6&7 | **(7 068 644)** | (6 504 080) |
| Operating expenses | 16 | **(35 271 669)** | (48 067 654) |
| **Total expenditure** | | **(133 081 005)** | (154 055 717) |
| **Surplus (deficit) for the year** | | **6 112 583** | (10 389 141) |

# STATEMENT OF CHANGES IN NET ASSETS
## FOR THE YEAR ENDED 31 MARCH 2021

| Figures in Rand | Accumulated surplus | Total net assets |
|---|---|---|
| **Balance at 1 April 2019** | 61 230 701 | 61 230 701 |
| Changes in net assets | | |
| Deficit for the year | (10 389 141) | (10 389 141) |
| Total changes | (10 389 141) | (10 389 141) |
| **Balance at 1 April 2020** | 50 841 560 | 50 841 560 |
| Changes in net assets | | |
| Surplus for the year | **6 112 583** | **6 112 583** |
| Funds surrendered | **(2 229 811)** | **(2 229 811)** |
| Total changes | **3 882 772** | **3 882 772** |
| **Balance at 31 March 2021** | **54 724 332** | **54 724 332** |

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 MARCH 2021



| Figures in Rand | Note(s) | 2021 | 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Grants | | **137 648 000** | 136 471 000 |
| Interest income | | **1 545 588** | 2 758 502 |
| | | **139 193 588** | 139 229 502 |
| **Payments** | | | |
| Compensation of employees | | **(89 738 967)** | (96 185 598) |
| Suppliers | | **(37 576 048)** | (45 960 679) |
| Board payments | | **(959 202)** | (2 104 342) |
| | | **(128 274 217)** | (144 250 619) |
| **Net cash flows from operating activities** | 18 | **10 919 371** | (5 021 117) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 6 | **(627 632)** | (2 904 975) |
| Purchase of other intangible assets | 7 | **(2 005 194)** | (1 296 596) |
| **Net cash flows from investing activities** | | **(2 632 826)** | (4 201 571) |
| **Net increase/(decrease) in cash and cash equivalents** | | **8 286 545** | (9 222 688) |
| Cash and cash equivalents at the beginning of the year | | **42 730 003** | 51 952 692 |
| **Cash and cash equivalents at the end of the year** | 5 | **51 016 548** | 42 730 004 |

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2021

| | Budget on cash basis | | | | | |
|---|---|---|---|---|---|---|
| Figures in Rand | Approved budget | Adjustments | Final budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
| **Statement of financial performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Interest received – investment | – | – | – | 1 545 588 | **1 545 588** | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Transfer revenue** | | | | | | |
| Government grants and subsidies | 143 970 000 | – | 143 970 000 | 137 648 000 | **(6 322 000)** | |
| **Total revenue** | 143 970 000 | – | 143 970 000 | 139 193 588 | **(4 776 412)** | |
| **Expenditure** | | | | | | |
| Personnel | (98 421 963) | – | (98 421 963) | (89 781 490) | **8 640 473** | |
| Board fees and related | (2 330 497) | – | (2 330 497) | (959 202) | **1 371 295** | |
| Depreciation and amortisation | – | – | – | (7 068 644) | **(7 068 644)** | |
| Operating expenses | (38 222 013) | – | (38 222 013) | (35 271 669) | **2 950 344** | |
| **Total expenditure** | (138 974 473) | – | (138 974 473) | (133 081 005) | **5 893 468** | |
| **Surplus** | 4 995 527 | – | 4 995 527 | 6 112 583 | **1 117 056** | |
| **Actual amount on comparable basis as presented in the budget and actual comparative statement** | 4 995 527 | – | 4 995 527 | 6 112 583 | **1 117 056** | |

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2021

| | Budget on cash basis | | | | | |
|---|---|---|---|---|---|---|
| Figures in Rand | Approved budget | Adjustments | Final budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
| **Statement of Financial Position** | | | | | | |
| **Assets** | | | | | | |
| **Current assets** | | | | | | |
| Receivables from exchange transactions | – | – | – | 1 130 353 | **1 130 353** | |
| Receivables from non-exchange transactions | – | – | – | 15 700 | **15 700** | |
| Cash and cash equivalents | – | – | – | 51 016 549 | **51 016 549** | |
| | – | – | – | 52 162 602 | **52 162 602** | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 863 944 | – | 863 944 | 11 491 956 | **10 628 012** | |
| Intangible assets | 4 131 583 | – | 4 131 583 | 4 075 435 | **(56 148)** | |
| | 4 995 527 | – | 4 995 527 | 15 567 391 | **10 571 864** | |
| **Total assets** | 4 995 527 | – | 4 995 527 | 67 729 993 | **62 734 466** | |
| **Liabilities** | | | | | | |
| **Current liabilities** | | | | | | |
| Operating lease liability | – | – | – | 627 405 | **627 405** | |
| Payables from exchange transactions | – | – | – | 5 076 226 | **5 076 226** | |
| Provisions | – | – | – | 7 302 030 | **7 302 030** | |
| | – | – | – | 13 005 661 | **13 005 661** | |
| **Total liabilities** | – | – | – | 13 005 661 | **13 005 661** | |
| **Net assets** | 4 995 527 | – | 4 995 527 | 54 724 332 | **49 728 805** | |
| **Net assets** | | | | | | |
| **Net assets attributable to owners of controlling entity** | | | | | | |
| **Reserves** | | | | | | |
| Accumulated surplus | 4 995 527 | – | 4 995 527 | 54 724 332 | **49 728 805** | |

# ACCOUNTING POLICIES

## 1. Presentation of annual financial statements

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

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

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

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

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

These accounting policies are consistent with the previous period.

### 1.1 Presentation currency

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

### 1.2 Going concern assumption

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

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

*Initial recognition and measurements*

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

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

### 1.4 Significant judgements and sources of estimation uncertainty

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

*Impairment testing*

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

*Provisions*

Provisions were measured based on the probable estimated future cash outflows that may be needed to settle the obligation that may arise. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

*Effective interest rate*

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

*Depreciation and amortisation*

Depreciation and amortisation amounts on property, plant and equipment, as well as intangible assets, were calculated based on expected useful lives of the

underlying assets. The estimation of the assets' useful lives is based on the management judgement related to the assets' condition at the end of the period use. The estimates take to into account the nature of the OHSC's business and how the assets will be utilised in the normal operation of the OHSC, including the impact of advancing technology.

## 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

## 1.6 Intangible assets

An asset is identifiable if it either:

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

## 1. Presentation of annual financial statements continued

### 1.6 Intangible assets continued

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

Items of intangible assets are derecognised when the asset is disposed of or when there are further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal of an asset is determined as the difference between the proceeds from the disposal and the carrying value of the assets, and recognised in the statement of financial performance.

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

| Item | Depreciation method | Average useful life |
|---|---|---|
| Computer software | Straight-line | 5 years or licence period |

Intangible assets are derecognised:

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

### 1.7 Financial instruments

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

#### *Credit risk*

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

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

#### *Market risk*

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

#### *Liquidity risk*

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

#### *Fair value*

The OHSC's financial instruments consists mainly of cash and cash equivalents. No financial instruments were carried at an amount in excess of their fair value and fair values could be measured for all financial

instruments. The following methods and assumptions are used to determine the fair value of each class of financial instrument.

### *Investments*

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

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

### *Cash and cash equivalents*

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

Other receivables from exchange transactions.

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

### *Trade and other receivables*

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

### *Trade and other payables*

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

### *Derecognition*

#### Financial assets

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

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

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

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

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

## 1. Presentation of annual financial statements continued

### 1.7 Financial instruments continued

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

Financial liabilities

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

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

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

### 1.8 Tax

*Tax expenses*

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

### 1.9 Leases

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

*Operating leases – lessor*

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

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

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

*Operating leases - lessee*

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

### 1.10 Employee benefits

*Short-term employee benefits*

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

*Defined contribution plans*

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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

### 1.11 Provisions and contingencies

Provisions are recognised when:

*1.11.1* The entity has a present obligation as a result of a past event.

*1.11.2* It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

*1.11.3* A reliable estimate can be made of the obligation.

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

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

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

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

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

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

## 1.12 Commitments

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

## 1.13 Revenue from exchange transactions

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

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

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

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

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

## 1.14 Revenue from non-exchange transactions

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

### *Government grants*

Government grants are recognised as revenue:

- When it is probable that the economic benefit or service potential associated with the transaction will flow to the entity.
- When the amount of the revenue can be measured reliably.
- To the extent that there has been compliance with any restrictions associated with the grant.

## 1.15 Borrowing costs

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

## 1.16 Fruitless and wasteful expenditure

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

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

## 1. Presentation of annual financial statements continued

### 1.17 Irregular expenditure

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

(a) this Act; or

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

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

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

- Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.
- Irregular expenditure that was incurred and identified during the current financial year and for which condonation is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.
- Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

### 1.18 Budget information

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

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

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

The approved budget covers the fiscal period from 1 April 2020 to 31 March 2021.

The budget for the economic entity includes all the approved budgets for entities under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

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

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget has been included in the annual financial statements. Refer to note 27.

### 1.19 Related parties

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

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

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

- Controlling party: This refers to the NDoH, to which the OHSC report and from which the OHSC receives its funding. This includes the Executive Authority of the NDoH.
- The Board of the OHSC: This refers to persons appointed by the Minister of Health in terms of section 79A, 79B and 79C of the National Health Amendment Act 2013. In this category are all the committees of the Board, as constituted by the Board from time to time.

- Key management personnel: This includes all persons having the authority and responsibility for planning, directing and controlling the operational activities of the entity. Such personnel include the Chief Executive Officer, Chief Financial Officer and other members of the Executive Committee.
- Close family members of key management personnel and Board members of the OHSC. In accordance with GRAP 20, as a minimum, the following shall be considered to be close family members:
  - That person's children and spouse or domestic worker.
  - Children of that person or that person's spouse or domestic worker.
  - Dependents of that person or that person's spouse or domestic worker.
  - A grandparent, grandchild, parent, brother, or sister.
- A parent in-law, brother-in-law or sister-in-law.
- Entities under the same control: This refers to public entities that are under the control of the NDoH, to which the OHSC reports.

## 1.20 Events after reporting date

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

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

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

## 1.21 Segment reporting

A segment is an activity of an entity:

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

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

## 1.22 Comparative figures

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

## 2. New standards and interpretations

### 2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2021 or later periods but are not relevant to its operations:

| Standard/Interpretation | Effective date: Years beginning on or after | Expected impact |
|---|---|---|
| GRAP 104 (amended): Financial Instruments | Not yet effective | Not expected to impact results but may result in additional disclosures |
| GRAP 25: Employee Benefits | Not yet effective | Impact of this is not material |

| Figures in Rand | 2021 | 2020 |
|---|---|---|
| **3. Receivables from exchange transactions** | | |
| Prepaid expenses | **1 130 353** | 1 249 253 |
| **4. Receivables from non-exchange transactions** | | |
| Sundry debtors | **15 700** | 15 700 |
| **5. Cash and cash equivalents** | | |
| Cash and cash equivalents consist of: | | |
| Cash on hand | **3 906** | 2 688 |
| Bank balances | **7 156 614** | 20 416 875 |
| Short-term deposits | **43 856 029** | 22 310 440 |
| | **51 016 549** | 42 730 003 |

## 6. Property, plant and equipment

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| Figures in Rand | Cost/ valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost/ valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Office equipment | **3 129 823** | **(2 185 436)** | **944 387** | 2 966 698 | (1 649 821) | 1 316 877 |
| Furniture and fixtures | **6 291 542** | **(1 912 910)** | **4 378 632** | 6 281 095 | (1 301 896) | 4 979 199 |
| Motor vehicles | **1 537 148** | **(1 088 377)** | **448 771** | 1 537 148 | (754 291) | 782 857 |
| IT equipment | **10 648 762** | **(5 621 737)** | **5 027 025** | 10 240 620 | (3 712 250) | 6 528 370 |
| Leasehold improvements | **1 102 255** | **(409 114)** | **693 141** | 1 102 255 | (184 312) | 917 943 |
| Total | **22 709 530** | **(11 217 574)** | **11 491 956** | 22 127 816 | (7 602 570) | 14 525 246 |

## 6. Property, plant and equipment continued

**Reconciliation of property, plant and equipment – 2021**

| Figures in Rand | Opening balance | Additions | Disposals | Depreciation | Total |
|---|---|---|---|---|---|
| Office equipment | **1 316 877** | **163 126** | **–** | **(535 616)** | **944 387** |
| Furniture and fixtures | **4 979 199** | **10 447** | **–** | **(611 014)** | **4 378 632** |
| Motor vehicles | **782 857** | **–** | **–** | **(334 086)** | **448 771** |
| IT equipment | **6 528 370** | **454 059** | **(20 637)** | **(1 934 767)** | **5 027 025** |
| Leasehold improvements | **917 943** | **–** | **–** | **(224 802)** | **693 141** |
| | **14 525 246** | **627 632** | **(20 637)** | **(3 640 285)** | **11 491 956** |

**Reconciliation of property, plant and equipment – 2020**

| Figures in Rand | Opening balance | Additions | Disposals | Depreciation | Total |
|---|---|---|---|---|---|
| Office equipment | 1 110 387 | 731 032 | (6 710) | (517 832) | 1 316 877 |
| Furniture and fixtures | 1 374 762 | 4 313 961 | (3 917) | (705 607) | 4 979 199 |
| Motor vehicles | 1 090 286 | – | – | (307 429) | 782 857 |
| IT equipment | 7 219 542 | 1 194 802 | (41 532) | (1 844 442) | 6 528 370 |
| Leasehold improvements | – | 1 102 255 | – | (184 312) | 917 943 |
| | 10 794 977 | 7 342 050 | (52 159) | (3 559 622) | 14 525 246 |

## 7. Intangible assets

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| Figures in Rand | **Cost/ valuation** | **Accumulated depreciation and accumulated impairment** | **Carrying value** | Cost/ valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Computer software, other | **14 708 182** | **(10 632 747)** | **4 075 435** | 12 702 988 | (7 204 388) | 5 498 600 |

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| **Reconciliation of intangible assets – 2021** | | | | |
| Computer software, other | **5 498 600** | **2 005 194** | **(3 428 359)** | **4 075 435** |
| Reconciliation of intangible assets – 2020 | | | | |
| Computer software, other | 7 146 463 | 1 296 596 | (2 944 459) | 5 498 600 |

## 8. Operating lease liabilities

| Figures in Rand | 2021 | 2020 |
|---|---|---|
| Current liabilities | **(627 405)** | (1 319 693) |

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

| Figures in Rand | 2021 | 2020 |
|---|---|---|
| **9. Payables from exchange transactions** | | |
| Trade payables | **1 160 320** | 424 419 |
| Accrued expenses | **3 915 906** | 4 173 623 |
| | **5 076 226** | 4 598 042 |

## 10. Provisions

| Reconciliation of provisions – 2021 | Opening balance | Additions | Total |
|---|---|---|---|
| Provision for performance bonuses | **1 387 696** | **–** | **1 387 696** |
| Provision for leave | **5 871 812** | **42 522** | **5 914 334** |
| | **7 259 508** | **42 522** | **7 302 030** |

| Reconciliation of provisions – 2020 | Opening balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Provision for performance bonuses | 1 287 330 | 1 387 696 | (1 287 330) | 1 387 696 |
| Provision for leave | 4 778 134 | 1 104 913 | (11 235) | 5 871 812 |
| | 6 065 464 | 2 492 609 | (1 298 565) | 7 259 508 |

| Figures in Rand | 2021 | 2020 |
|---|---|---|
| **11. Investment revenue** | | |
| **Interest revenue** | | |
| Bank | **1 545 588** | 2 758 502 |
| Interest from call investment account | | |
| **12. Government grants and subsidies** | | |
| **Operating grants** | | |
| Government grant | **137 648 000** | 136 471 000 |
| **13. Donations** | | |
| In-kind donation | **–** | 4 437 075 |
| **14. Revenue** | | |
| Interest received – investment | **1 545 588** | 2 758 502 |
| Government grants and subsidies | **137 648 000** | 136 471 000 |
| In-kind donations | **–** | 4 437 075 |
| | **139 193 588** | 143 666 577 |
| **The amount included in revenue arising from exchanges of are as follows:** | | |
| Interest received – investment goods or services | **1 545 588** | 2 758 502 |
| **The amount included in revenue arising from non-exchange transactions is as follows:** | | |
| **Taxation revenue** | | |
| **Transfer revenue** | | |
| Government grants and subsidies | **137 648 000** | 136 471 000 |
| In-kind donations | **–** | 4 437 075 |
| | **137 648 000** | 140 908 075 |

| Figures in Rand | 2021 | 2020 |
|---|---|---|
| **15. Employee-related costs** | | |
| Basic salary | **65 086 119** | 70 605 196 |
| Service and performance bonus | **4 361 745** | 3 931 944 |
| Medical aid – company contributions | **2 797 257** | 2 344 568 |
| Unemployment Insurance Fund | **157 941** | 175 192 |
| Compensation fund | **172 707** | 136 210 |
| Leave paid and provided for | **868 651** | 1 641 169 |
| Pension-employer contribution | **7 753 667** | 7 809 640 |
| Other non-pensionable allowances | **8 331 868** | 8 668 598 |
| Bargaining council | **3 463** | 3 425 |
| Severance payments | **–** | 320 484 |
| Inconvenience allowance | **248 072** | 355 520 |
| Provision for performance bonuses | **–** | 1 387 696 |
| | **89 781 490** | 97 379 642 |
| **16. General expenses** | | |
| Advertising | **366 207** | 226 268 |
| Audit cost (refer to note 17) | **1 217 844** | 1 473 523 |
| Bank charges | **63 482** | 71 467 |
| Cleaning services | **1 845 280** | 1 699 025 |
| Consulting and professional fees | **1 361 065** | 1 675 016 |
| Consumables | **944 828** | 276 849 |
| Legal fees | **542 138** | 177 394 |
| Insurance | **268 914** | 300 356 |
| IT maintenance and support | **4 819 342** | 5 376 847 |
| Marketing and publication | **1 263 578** | 1 076 290 |
| Motor vehicle expenses | **80 870** | 198 271 |
| Staff relocation | **60 301** | 155 200 |
| Postage and courier | **8 497** | 8 540 |
| Printing and stationery | **352 118** | 705 495 |
| Security expense | **682 882** | 767 419 |
| Subscriptions and membership fees | **278 942** | 51 504 |
| Telephone and data | **1 741 249** | 1 468 629 |
| Training and skills development | **393 210** | 3 918 661 |
| Travel, subsistence and accommodation (refer to note 30) | **4 533 873** | 10 923 824 |
| Water, electricity, rates and taxes | **3 927 463** | 4 314 010 |
| Repairs and maintenance | **204 071** | 125 604 |
| Catering services | **35 775** | 72 952 |
| Operating lease costs | **10 259 103** | 10 696 211 |
| Loss or theft of assets | **20 637** | 52 159 |
| Venue and facilities | **–** | 2 256 140 |
| | **35 271 669** | 48 067 654 |

| Figures in Rand | 2021 | 2020 |
|---|---|---|
| **17. Audit cost** | | |
| Internal audit | **391 624** | 594 742 |
| External audit | **826 220** | 878 781 |
| | **1 217 844** | 1 473 523 |
| **18. Cash generated from (used in) operations** | | |
| Surplus (deficit) | **6 112 583** | (10 389 142) |
| **Adjustments for:** | | |
| Depreciation and amortisation | **7 068 644** | 6 504 081 |
| Movements in operating lease assets and accruals | **(692 288)** | 204 783 |
| Movements in provisions | **42 522** | 1 194 044 |
| Funds surrendered | **(2 229 811)** | – |
| In-kind donation | **–** | (4 437 075) |
| **Changes in working capital:** | | |
| Receivables from exchange transactions | **–** | 534 306 |
| Other receivables from non-exchange transactions | **118 900** | (221 422) |
| Payables from exchange transactions | **478 184** | 1 537 149 |
| Adjustment for cost of lost asset | **20 637** | 52 159 |
| | **10 919 371** | (5 021 117) |

## 19. Financial instruments disclosure

| | At amortised cost | Total |
|---|---|---|
| **Categories of financial instruments** | | |
| **2021** | | |
| **Financial assets** | | |
| Other receivables from non-exchange transactions | **15 700** | **15 700** |
| Cash and cash equivalents | **51 016 549** | **51 016 549** |
| | **51 032 249** | **51 032 249** |
| **Financial liabilities** | | |
| Trade and other payables from exchange transactions | **5 076 226** | **5 076 226** |
| **2020** | | |
| **Financial assets** | | |
| Other receivables from non-exchange transactions | 15 700 | 15 700 |
| Cash and cash equivalents | 42 730 004 | 42 730 004 |
| | 42 745 704 | 42 745 704 |
| **Financial liabilities** | | |
| Trade and other payables from exchange transactions | 4 594 441 | 4 594 441 |

| Figures in Rand | 2021 | 2020 |
|---|---|---|
| **20. Commitments** | | |
| **Already contracted for but not provided for** | | |
| Property, plant and equipment | **83 438** | – |
| Intangible assets | **295 670** | – |
| | **379 108** | – |
| **Total capital commitments** | | |
| Already contracted for but not provided for | **379 108** | – |
| The above capital commitments were made by year end, but the services will only be rendered after the end of the financial year. | | |
| **Operating leases liabilities – office space** | | |
| **Future minimum lease payments** | | |
| – within one year | **11 360 747** | 11 360 747 |
| – in second to fifth year inclusive | **17 987 849** | 29 348 595 |
| | **29 348 596** | 40 709 342 |
| Annual escalation rate | **8%** | |
| The OHSC has an outstanding commitment in respect of lease of office space with Mergence Africa Property Investment Trust. The lease agreement expires on the 31 October 2023. | | |
| **Operating leases liabilities – photocopying machine** | | |
| **Future minimum lease payments** | | |
| – within one year | **82 618** | 200 184 |
| – in second to fifth year inclusive | **46 098** | 122 954 |
| | **128 716** | 323 138 |

## 21. Contingencies

In terms of the OHSC Remuneration Policy, salary increases are implemented in accordance with the percentages implemented by the Department of Public Service and Administration (DPSA). During the financial year, the DPSA did not implement any salary increases, thus the OHSC did the same. Not satisfied with the decision of the DPSA, the labour unions took the matter to the Labour Appeal Court of South Africa, where the Court found in favour of the DPSA. The labour unions have since referred the matter to the Constitutional Court for a final decision. The outcome of the court process is unknown. In the event that the court finds in favour of the labour unions, the OHSC may incur a salary increase cost estimated at R4.7 million.

## 22. Related parties

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

| Figures in Rand | 2021 | 2020 |
|---|---|---|
| **Related party transactions** | | |
| **Grant Received** | | |
| National Department of Health | **137 648 000** | 136 471 000 |
| **Reimbursement** | | |
| National Department of Health | **2 229 811** | 11 224 |
| **Rental of office space** | | |
| South African Medical Research Council | **–** | 151 536 |

| Figures in Rand | Board fees | Reimbursements | Total |
|---|---|---|---|
| **2021** | | | |
| **Non-executive members – 2021** | | | |
| Dr L Simelane | **86 371** | **–** | **86 371** |
| Dr M Peenze | **88 175** | **–** | **88 175** |
| Prof K Household | **66 643** | **–** | **66 643** |
| Prof K Mfenyana | **84 764** | **–** | **84 764** |
| Mr A Hoosain | **89 663** | **688** | **90 351** |
| Dr ME Kenoshi (Chairperson of the Board) | **71 359** | **2 722** | **74 081** |
| Ms OA Montshiwa ( Vice Chairperson of the Board) | **88 300** | **9 367** | **97 667** |
| Prof M Chetty | **84 541** | **–** | **84 541** |
| Prof U Chikte | **46 764** | **–** | **46 764** |
| Dr T Msibi | **–** | **1 859** | **1 859** |
| Dr M Sengwana | **–** | **535** | **535** |
| | **706 580** | **15 171** | **721 751** |
| **2020** | | | |
| **Non-executive members – 2020** | | | |
| Dr L Simelane* | 14 682 | 517 | 15 199 |
| Dr M Peenze* | 14 682 | – | 14 682 |
| Prof S Whittaker** | 88 089 | 5 351 | 93 440 |
| Prof E Stellenberg** | 145 896 | 10 689 | 156 585 |
| Prof K Household* | 14 682 | – | 14 682 |
| Prof K Mfenyana* | 7 371 | – | 7 371 |
| Mr A Hoosain | 80 751 | 5 187 | 85 938 |
| Dr ME Kenoshi (Chairperson of the Board)* | 18 588 | – | 18 588 |
| Ms OA Montshiwa ( Vice Chairperson of the Board) | 181 383 | 13 433 | 194 816 |
| Mr B Pharasi** | 129 837 | 9 544 | 139 381 |
| Ms K Mahlangu** | 104 148 | 3 379 | 107 527 |
| Prof M Chetty | 73 410 | – | 73 410 |
| Ms S Barsel** | 121 674 | 9 300 | 130 974 |
| | 995 193 | 57 400 | 1 052 593 |

* *Appointed from 7 February 2020*

** *The board members term end on 31 December 2019*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 MARCH 2021

| Figures in Rand | Basic salary | Pension fund | Non-pensionable allowances and other payments | Service and performance bonus | Leave payout | Reimburse-ment | Total |
|---|---|---|---|---|---|---|---|
| **Executive Managers – 2021** | | | | | | | |
| Dr S Mndaweni (Chief Executive Officer) | **1 384 973** | **180 046** | **611 367** | **–** | **130 479** | **–** | **2 306 865** |
| Prof M Makgoba (Ombud) | **1 560 174** | **–** | **668 646** | **–** | **–** | **–** | **2 228 820** |
| Mr J Mapatha (Chief Financial Officer) | **943 528** | **122 659** | **203 083** | **78 627** | **–** | **–** | **1 347 897** |
| Ms W Moleko (Executive Manager: HSDAS) | **902 313** | **117 301** | **194 212** | **75 193** | **–** | **1 128** | **1 290 147** |
| Ms PM Montsho - Acting Executive Manager: Compliance Inspectorate* | **533 467** | **59 571** | **136 818** | **65 463** | **152 418** | **–** | **947 737** |
| Dr D Jacobs (Executive Manager: Complaints Management)** | **233 868** | **30 403** | **78 164** | **–** | **–** | **–** | **342 435** |
| | **5 558 323** | **509 980** | **1 892 290** | **219 283** | **282 897** | **1 128** | **8 463 901** |

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

* *Retired on 31 October 2020*

** *Start date on 4 January 2021*

## 23. Financial risk management

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

### Liquidity risk

The entity's risk in respect of liquidity is related to funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

| As at 31 March 2021 | Less than 1 Year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Current liabilities | **13 005 661** | – | – | – |

### Credit risk

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

### Market risk

*Interest rate risk*

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

## 24. Going concern

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

## 25. Events after the reporting date

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

## 26. Fruitless and wasteful expenditure

| Figures in Rand | 2021 | 2020 |
|---|---|---|
| Opening balance as previously reported | **13 475** | 13 475 |
| The fruitless and wasteful expenditure pertains to overpayment of leave credit. Payment arrangements have been made with former employee concerned. | | |

## 27. Reconciliation between budget and statement of financial performance

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

| | | |
|---|---|---|
| Net surplus (deficit) per the statement of financial performance | | |
| **Adjusted for:** | **6 112 583** | (10 389 141) |
| (Over)/under collection | **(1 545 588)** | (2 758 502) |
| (Over)/under budget expenditure | **428 532** | 21 865 650 |
| (Over)/under collection of in-kind donations | – | (4 437 075) |
| **Net surplus per approved budget** | **4 995 527** | 4 280 932 |

| Figures in Rand | 2021 | 2020 |
|---|---|---|

## 28. Board fees and related expenses

| | | |
|---|---|---|
| Board fees and reimbursements | **721 751** | 1 052 563 |
| Other expenditure | **237 451** | 1 051 779 |
| | **959 202** | 2 104 342 |

## 29. Budget differences

### Material differences between budget and actual amounts

*Compensation of employees*

In the 2020/21 budget, provision was made for salary increases and performance-related bonuses and notch increases. The OHSC follows the salary increases implemented by the Department of Public Service and Administrations (DPSA). Since the DPSA did not implement any salary increases, the OHSC also did not implement any salary increases. The OHSC had made provision for these expenses.

*Goods and services*

In the 2020/21 budget, provision was made for travelling, accommodation and subsistence, venues and facilities in respect of inspections, as well as provision of guidance and support on norms and standards. As a result of the impact of COVID 19, most of these activities could not be undertaken. All the meetings of the Board were conducted virtually.

## 30. Travel, subsistence and accommodation

| Figures in Rand | 2021 | 2020 |
|---|---|---|
| Travel | **630 206** | 2 913 595 |
| Accommodation | **3 629 869** | 6 555 083 |
| Subsistence | **273 798** | 1 455 146 |
| | **4 533 873** | 10 923 824 |

## 31. Segment information

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

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

## 32. Impact of COVID-19

Since the end of 2019 when the coronavirus was discovered, economies around the globe have had to implement drastic measures to curb the spread of the virus. South Africa was no exception and this led to increased pressure on the national budget requiring additional funding to implement COVID-19 prevention measures, as well as funding for sustainability of livelihoods.

There were also significant changes to the operations of the OHSC to ensure that it continued to deliver on its mandate while effectively complying with the COVID-19 restrictions and guaranteeing the safety of its employees.

The OHSC was unable to meet some of its planned activities and performance targets due to the travel bans and hard lockdown restrictions during the first and second quarter of the financial year, which also affected the level of productivity. The immediate impacts of the pandemic on operations included: National Treasury's reduction of the OHSC budget allocation by R6 322 000; a significant increase in communication costs due to high usage of data; and an increase in consumables' expenses due to acquisition of personal protective equipment for the staff.

Conversely, there was a significant reduction in travel and accommodation expenses as a result of travel bans imposed by the COVID-19 restrictions.

The duration of the COVID-19 pandemic remains unclear at this time. Thus, the future consequences and impact of COVID-19 on the OHSC's financial position and results are uncertain. However, the situation will be monitored continuously through the risk management framework in place.

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**RP295/2021**

**ISBN: 978-0-621-49779-3**