FINANCIAL MANAGEMENT AND BUDGET REFORM IMPLEMENTATION AND CONSTRAINTS IN THE PUBLIC SECTOR SINCE 1994: THE CASE OF THE HEALTH SECTOR

SHAHKIRA PARKER

A mini-thesis submitted in partial fulfilment of the requirements for the degree of Masters in Public Administration (MPA) in the Faculty of Economic and Management Science (EMS), School of Government, University of the Western Cape

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Supervisor: Dr. L.G. Pretorius

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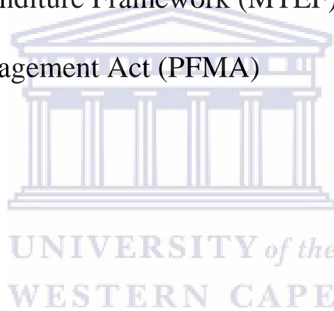
Shahkira Parker

KEY WORDS

1. Accountability
2. Budget Reform
3. Health Sector
4. Financial Management
5. Medium Term Expenditure Framework (MTEF)
6. Public Finance Management Act (PFMA)
7. Governance
8. Implementation
9. South Africa
10. Transparency



ABSTRACT

FINANCIAL MANAGEMENT AND BUDGET REFORM IMPLEMENTATION AND CONSTRAINTS IN THE PUBLIC SECTOR SINCE 1994: THE CASE OF THE HEALTH SECTOR

Shahkira Parker

MPA, minithesis, School of Government, University of the Western Cape.

This research report examines the factors associated with facilitating and constraining the implementation of financial management and budget reforms in the public sector using the Health sector (National and Provincial Departments of Health) as a case study.

Since 1994 the government initiated a series of budget and financial management reforms but Departments have been slow in implementing them. Consequently, a number of Departments have received adverse audit reports. This research report seeks to identify those factors that are facilitating the successful implementation as well as those that are constraining the implementation of these reforms in the public service.

The reason for choosing the Health sector as a case study in this research is that it has an important service delivery function and the audit outcomes the over the past few years for the sector indicate that it is currently experiencing problems in terms of budgeting and financial management.

Through a series of interviews with selected officials from the Health Sector and the National Treasury as well as questionnaires sent to the provincial departments of Health and careful scrutiny of official documents such as annual and audit reports, the factors facilitating the success of as well as those constraining the implementation of these reforms are identified and discussed. Based on this information conclusions are drawn and recommendations are made to overcome these constraints and facilitate the implementation of the proposed public sector financial management and budget reforms.

The main findings of the report are that there are factors that are both facilitating and constraining the implementation of financial management and budget reform in the South Africa. The primary constraining factor in this regard is that there is limited capacity in the country with regard to financial management.

This study has both a practical as well as an academic significance. This study will shed new light on the problems being experienced by the public sector with the implementation of effective financial management and budget practices. The findings and recommendations of this study can be implemented as a tool for finding possible solutions to these problems in the Health sector as well as other public sector departments who may be experiencing similar problems.

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DECLARATION

I declare that *"Financial Management and Budget Reform Implementation and Constraints in the Public Sector Since 1994: The Case of the Health Sector"* is my own work, that it has not been submitted before for any degree or examination in any other university, and that all the sources I have used or quoted have been indicated and acknowledged as complete references.

Shahkira Parker

October 2007

Signed:…………………………………………………………

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Completing a research report comes with numerous challenges, most of which I experienced myself whilst completing my own thesis. I would like to thank the following people without whose unwavering support and encouragement I would not have succeeded with this enormous challenge.

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All those individuals from the Departments of Health as well as Provincial Treasuries for finding the time to complete the questionnaire, without which I would not have been able to complete this research.

The Public Policy Partnership for all the assistance and support over the years. I only hope that the PPP continues to grow and go from strength to strength.

LIST OF ABBREVIATIONS

AG-	Auditor-General
AO-	Accounting Officer
ARV-	Anti-Retroviral Treatment
BAS-	Basic Accounting System
CFO-	Chief Financial Officer
DA-	Democratic Alliance
DoH-	National Department of Health of the Republic of South Africa
DoRA-	Annual Division of Revenue Act
ENE-	Estimates of National Expenditure
FMS-	Financial Management System
GAAP-	Generally Accepted Accounting Principles
GRAP-	Generally Recognised Accounting Practices
GSS-	Gauteng Shared Services
IFMS	Integrated Financial Management System
IGFR Act-	Intergovernmental Fiscal Relations Act (Act 97 of 1997)
IGFR-	Intergovernmental Fiscal Review
IMCI-	Integrated Management of Childhood Illnesses
IMF-	International Monetary Fund
IYM	In-year Monitoring and Reporting
KZN-	KwaZulu-Natal Province
MCC-	Medicines Control Council
MTEF-	Medium Term Expenditure Framework
NHA-	National Health Act (Act 61 of 2003)
NHS-	National Health System
OECD-	Organisation for Economic Co-operation and Development
PFMA-	Public Finance Management Act (Act 1 of 1999)
PHC-	Primary Health Care
RAF-	Road Accident Fund
UNO-	United Nations Organisation

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CHAPTER 1: INTRODUCTION, BACKGROUND AND CONTEXT

1.1. Introduction

In his 2007 State of the Nation address, President Thabo Mbeki stated that:

> *"…many of the weaknesses in improving services to the population derive in part from inadequate capacity and systems to monitor* ***implementation****"* (Republic of South Africa, 2007: 6)

The importance of implementation was also alluded to by the Minister of Finance of South Africa, Mr Trevor Manuel, in his 2005 budget speech when he stated that:

> *"…**implementation** is the real expression of our social intent and this relies on the shared efforts and energies of public servants, workers, business people, citizens, all our people, who embrace the future with hope, and eyes of pride."* (National Treasury, 2005a: 7)

These statements by President Mbeki and Minister Manuel emphasise the importance of implementation of government policy. This was further highlighted in the 1998 report of the Presidential Review Commission on the Reform and Transformation of the Public Service in South Africa (1998: 3) which indicated that in South Africa policies are well designed and structured but there are problems with the implementation thereof.

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This is also the case with regard to effective management of public finances in terms of the implementation of financial management and budget reforms introduced by government after 1994. The importance of proper financial management and budgeting in the public sector was also underscored by Eddie Trent of the Democratic Alliance (DA) who stated that:

> *"…if the government cannot properly spend taxpayers money, not only does service delivery become undermined, stalled or simply not happen, but public confidence in the government is undermined and the institution itself loses credibility in the eyes of ordinary people."*(Daniels, 2006: 1)

It has become increasingly important to assess whether the implementation of financial management and budget reform is yielding the envisaged results and

generating the desired outcomes. This research addresses the factors which are facilitating and constraining the implementation of financial management and budget reforms.

In order to address this question, this chapter is organised into 5 sections. The first section outlines the background and context of the research. The following section provides the research problem. The third section states the objectives of this research as well as its significance. The fourth section discusses the methodology adopted to reach these objectives as well as the limitations thereof. The last section provides an outline of how the research report is structured.

1.2. Background and context of the research report

Good governance has become an important principle according to which governments are operating today with effective financial management and budgeting being a key ingredient in the governance process. The importance of proper budgeting and financial management especially in the public sector cannot be ignored. The consequences of ineffective financial management may result in poor service delivery and mismanagement and wastage of taxpayer's money.

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Du Toit (2002: 64) defines governance as the connections and interactions between national, provincial and local authorities and the public they serve. As a working definition governance can be defined as the act, manner and process of governing. King (2006: ix) defines good governance as:

> *"…involving fairness, accountability, responsibility and transparency on a foundation of intellectual honesty."*

In addition, Jonker (2001: 65-66) identifies 8 characteristics of good governance. These include openness and transparency, adherence to the principles contained in the Bill of Rights, deliberation and consultation, capacity to act and deliver, efficiency and effectiveness, answerability and accountability, co-operative government and the distribution of state autonomy and authority.

This would imply that the government has to be held accountable for the effective and transparent management of public funds. According to the Presidential Review Commission on the Reform and Transformation of the Public Service in South Africa (1998: 123) and Visser and Erasmus (2002: 9-12) effective financial management and budgeting consists of a combination of the following elements: the accounting system; budgetary and expenditure control; financial planning and reporting; cash flow management; management of assets and liabilities; financial control; and procurement policy.

The need for more effective and accountable financial management and budget practices in the public service has been identified by a number of international finance and development organisations such as the International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), United Nations Organisation (UNO) and the World Bank who conducted research in this regard (IMF, 2007a; IMF, 2007b; Allen and Tommasi, 2001; UNO, 1995 & World Bank, 1998). This prompted the National Treasury to initiate a number of budget and financial management reforms. Through the introduction of financial management and budget reform, particularly the adoption of the Constitution (Act 108 of 1996) and the Public Finance Management Act (PFMA: Act 1 of 1999) as well as the Intergovernmental Fiscal Relations Act (IGFR Act: Act 97 of 1997), policy provisions were put in place to achieve effective financial management and budgeting.

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Some of the major achievements in reforming the management of public finances have included (Cole & Folscher, 2003: 110):

- The introduction of a new intergovernmental system in 1997, which required all three spheres of government to develop and adopt their own budgets (decentralised budgeting);
- Three-year rolling spending plans for national and provincial departments under the Medium Term Expenditure Framework (MTEF) were initiated in the 1998 budget;

- The enactment of the PFMA, regarded as the most important and fundamental reform ; and
- Improving the link between planning, budgeting and reporting with the introduction of strategic planning formats and measurable performance objectives, including the improved quality of the budget information in budget documentation such as the Budget Review and the Estimates of National Expenditure (ENE) and the introduction of annual reports.

With South Africa being a recent democracy, many of these reforms were initiated less than 10 years ago. Furthermore, the general lack of financial management experience in the country raises concerns as to whether and how these reforms are being implemented. This concern has become particularly evident in light of a number of adverse audit reports received by some departments[1] over the last few years. One such sector, which received a number of qualified audits, is the Health Sector.[2]

The Health Sector will be used as a case study in this research in order to determine what factors are facilitating or constraining the implementation of effective financial management practices and budget reforms initiated since 1994.

The primary reason for using the Health Sector as a case study is that it has a very important service delivery function and that ineffective financial management will impact on the service delivery of the department e.g. if the Health sector does not budget correctly, it will not have enough funding to roll-out its programmes such as anti-retroviral (ARV) treatment at all state hospitals, completing hospital revitalisation programmes and many would have to suspend services as a result of inadequate funding as was the case in some hospitals last year. In addition, a

[1] Some of the Departments that received adverse audit outcomes include the Department of Home Affairs, Correctional Services and Defence at the National sphere of Government. At the Provincial sphere of government the social services sector i.e. Health, Education and Social Development continue to show poor audit results. See audit reports and annual reports of National and Provincial Government Departments available on the website of the Auditor-General: http://www.agsa.co.za and National Treasury: http://www.treasury.gov.za

[2] See annual reports of the National and Provincial Departments of Health available on www.doh.gov.za and www.treasury.gov.za. This issue will be further discussed in subsequent Chapters of the research report.

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number of issues have arisen in the media over the past few years as a consequence of poor budgeting and financial management in the Health Sector. This includes issues of a former provincial Head of Health being suspended for financial mismanagement (Barry & Landman, 2003), service delivery being suspended at a number of hospitals due to a shortage of funds as a result of poor budgeting, poor conditions of hospitals as well as a shortage of medical equipment and medicine at public hospitals (SAPA, 2007a; SAPA, 2007b & Green & Ancer, 2003: 1). Another important issue is the so called 'brain drain' whereby South Africa is losing highly skilled Health professionals who seek better employment opportunities abroad (Anonymous, 2007 & Keeton, 2003).

1.3. Statement of the research problem

Despite the introduction of the above mentioned reforms, concerns continue to be raised regarding financial management budgeting in the Health Sector as indicated by the recent audit reports. In light of this, it becomes important to research and identify the factors facilitating and constraining the implementation of effective financial management and budgeting practices as envisaged by the introduction of financial management and budget reform in the public service since 1994.

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1.4. Objectives and significance of the study

The primary objective of this study is to investigate financial management and budgeting in the Health Sector.

To achieve the aforementioned primary objective, the study is divided into more specific secondary objectives. These include:

- To outline a framework for analysing budget and financial management implementation in South Africa;
- To use the Health Sector in South Africa as a case-study;
- To analyse the findings with a view to identifying factors that facilitate or constrain budget implementation and financial management; and

- To draw conclusions and make recommendations.

This research report has a practical as well as an academic significance. This study will shed light on the problems experienced in the Health Sector with the implementation of effective budgeting and financial management. The Health Sector operates in a unique delivery environment and the findings of the report may be implemented by the Sector to overcome the challenges confronted. The study may also have implications for better policy implementation and future training requirements as well as the provision of much needed services in the sector.

1.5. Research methodology and limitations

The following methodology will be employed in order to ensure that the above objectives are adhered to and achieved.

1.5.1. Type of research

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This is predominantly a qualitative research. Qualitative research involves the use of research methods such as focus groups, observation, case-studies, interviews and questionnaires in order to gain detailed insight into the activities and implementation of specific programmes and projects and sectors (Mouton, 2001: 161-162).

This research has adopted the case-study method. This method allows for greater focus and insight into the context and specific circumstances within which the financial management and budget reforms operate. It further provides an opportunity to gain access to information from personal experiences of those involved with financial management in the Health Sector (Mouton, 2001: 149-150). For purposes of this research, the Health Sector refers to the National Department of Health (DoH) as well as the 9 provincial departments of Health. The local government sphere is mainly responsible for environmental health after

the Primary Health Care (PHC) function shifted to the provincial sphere and is not included in this research.

1.5.2. Design and techniques

Three primary research techniques were used in this research. These include a scrutiny of relevant literature, interviews and questionnaires.

For the literature review, documents consulted include the research conducted by other organisations such as the IMF, OECD, World Bank and UNO in the field of financial management and budget reform. A review of the relevant legislation such as the Constitution, PFMA and other official documents of government including budget documentation such as the ENE and the Intergovernmental Fiscal Reviews (IGFRs), was conducted. Provincial budget documentation and annual reports of the Departments of Health were also scrutinised.

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The second research technique which was used in order to collect data is semi-structured interviews. The reason that a semi-structured interview was considered was that it provides an opportunity to obtain relevant data which was deemed important from the perspective of the researcher, but at the same time allows space for obtaining other relevant information which may have been important but not previously considered.

A sample of individuals to interview was identified. The officials identified were directly linked to the field being researched as they would be able to provide a first hand insight into the area in which the research is being conducted.

The third research technique adopted was the questionnaire. Questionnaires were sent to remaining provincial departments of Health in order to obtain relevant information for the research. The detailed questionnaire is attached as ‘Annexure A’ to this report.

The questions for the interview as well as the questionnaires focused on aspects relating to: what management arrangements are in place, how planning and budgeting is conducted, how revenue and expenditure is managed and how asset and liability management occurs. This is reflected in the analytical framework in Chapter 2.

1.5.3. Limitations of the research methodology

There are a number of limitations to the research methodology being used in this research. One such limitation to this research is that the recommendations of this research cannot be applied equally to the public service in general and is of specific relevance to the Health Sector to alleviate the challenges faced by the Sector in this regard. However, should other Departments or sectors be experiencing similar challenges as the Health Sector, they may be able to use some of the recommendations.

A limitation of using the questionnaire is that the response rate is often low and that the respondents do not always provide comprehensive responses, making it difficult to find adequate reasons for the findings of the research. For this research none of the departments responded to the questionnaire.

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By not selecting a random sample of individuals to interview and specifically identifying certain individuals, there is also a risk that their responses may include an element of bias. Furthermore, not everyone that identified was available to be interviewed, primarily due to work pressures. However an official (Mr A) from one of the provincial health departments was available to be interviewed.

As a consequence of the above, another limitation of the research methodology adopted is that it relies on secondary desk-top data for the statistics and supplemented by the information obtained by the interviews and questionnaires. This may result in an element of bias in the information obtained for this research.

1.6. Structure of the research report

This research report is divided into six chapters. **Chapter 1,** *Introduction, Background and Context,* develops the idea for the research as well as provides a motivation therefore. This chapter outlines the research problem as well as presents the objectives and the significance of the research, the research methodology and design.

Chapter 2, *Financial management and budget reform- international best practice"* defines and demarcates the area of financial management and budget reform. It also provides a discussion and analysis of financial management and budget reform principles as identified by international institutions such as the IMF, OECD, UNO and the World Bank.

Chapter 3, *South Africa's legislative framework***,** provides an overview of the financial management and budget reforms implemented by South Africa since 1994 and how this relates to international best practice. Since this is in line with international best practices, it is used as a theoretical framework for analysis in order to evaluate the implementation of effective financial management and budget practice in the Health Sector in South Africa.

Chapter 4, *A Case Study: the Health Sector* is a record of the Health Sector as a case-study. It addresses the issue of how financial management and budget practices, as stipulated by the reforms introduced by the government, are currently being implemented in the Health sector.

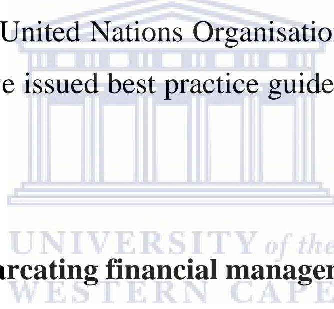
Chapter 5, *Analysis of financial management and budgeting practices in the Health Sector* discusses the findings and provides an analysis of the experiences of the Health Sector in implementing financial management and budget practices using the analytical framework outlined in Chapter 3. In particular, emphasis is placed on the factors facilitating and constraining the implementation of these practices in the Health Sector.

Chapter 6, *Conclusions and recommendations* concludes the research by summarising the most important issues and findings emerging from the research. These include that capacity constraints is the main impediment towards the implementation of financial management and budget reform. Some of the recommendations proposed are that capacity enhancing initiatives such as training programmes and a scarce skill allowance needs to be introduced to enhance the financial management skills-base in the country.

CHAPTER 2: FINANCIAL MANAGEMENT AND BUDGET REFORM-INTERNATIONAL BEST PRACTICE

2.1. Introduction

Given the general lack of financial management experience in South Africa, the primary objective of this chapter is to define and demarcate the area of financial management and budgeting. This chapter is divided into two sections. In the first section, a definition of financial management is provided and the areas which make up financial management are discussed. The second part provides an overview and analysis of the principles of financial management and budget reform as identified by international institutions such as the International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), United Nations Organisation (UNO) and the World Bank. These organisations have issued best practice guidelines on financial management and budget reform.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2.2. Defining and demarcating financial management and budgeting

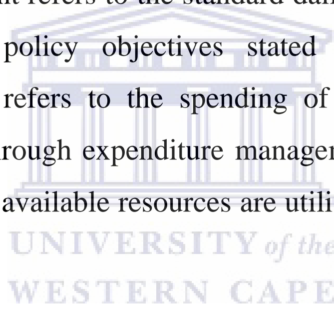
According to the National Treasury (Undated1: 4), financial management from a public sector perspective can be defined as

> *" …all decisions and activities of management, as guided by a chief financial officer, that impact on the control and utilisation of limited financial resources entrusted to achieve specified and agreed strategic output."*

The above definition underscores elements of financial management identified by the Presidential Review Commission on the Reform and Transformation of the Public Service in South Africa (1998: 123), Visser and Erasmus (2002: 9-12) and the UNO (1995: 4) namely budgeting, expenditure management, accounting, financial management systems, public accountability and control and performance management.

According to Visser and Erasmus (2002: 9) a budget can be regarded as a framework linking spending objectives with their relevant costs. The budget serves as a basis for government's financial activities. According to Hyde (Visser & Erasmus, 2002: 9), the budget has four basic dimensions. Firstly, it is a political instrument that allocates limited available resources amongst the needs of the citizens of the state. Secondly, the budget is a managerial and/or administrative tool which specifies the ways and means of providing public programmes and services. Thirdly, a budget is an economic instrument that can channel a nation's growth and development. Lastly, the budget can be regarded as an accounting instrument or financial management system that holds public servants accountable for the funds that they control.

Expenditure management refers to the standard daily operational processes linked to the execution of policy objectives stated in the budget. Expenditure management therefore refers to the spending of money. Visser and Erasmus (2002: 10), state that through expenditure management, methods and procedures are used through which available resources are utilised to the maximum benefit of the state.



Government must put in place sound accounting practices so as to ensure transparency an accountability of public funds. To this end the South African government has implemented Generally Recognised Accounting Practices (GRAP) and Generally Accepted Accounting Principles (GAAP). The adoption of these principles is in line with government's vision to standardise accounting practices across the public sector and adheres to international accounting conventions and guidelines.

Computerised information systems greatly facilitate expenditure management activities. Previously the government used the Financial Management System (FMS). In 2005, government converted from the FMS to the Basic Accounting System (BAS) which is a more modern and sophisticated financial management system.

Visser and Erasmus (2002: 11) emphasise that internal control must be maintained by all public entities and proper records be kept for auditing purposes. Audit reports are submitted to parliament and are published in annual reports which indicate the route of accountability, transparency and control.

Performance management is the most recent addition to effective financial management and budgeting. Visser and Erasmus (2002: 11), argue that performance management introduced the concept of 'profit' in the public sector. Performance management is put in place to ensure higher degree of effectiveness, efficiency, economy and appropriateness in terms of how financial resources are allocated and utilised.

It can be argued that if the above mentioned aspects are not in place or adhered to, financial management and budgeting would need to be reformed. Various organisations such as the IMF, OECD, UNO and the World Bank have introduced guidelines and best practices with regard to sound financial management and budget reform which can be a useful point of departure for implementing these reforms. In these guidelines, various principles of sound financial management and budget reform are discussed in detail. These principles underpin the financial management and reform process.

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2.3. Principles of sound financial management and budgeting

The IMF (2007a: 1-4 & 2007b: 4-7), OECD (Allen and Tommasi, 2001: 19-22), UNO (1995: 4-5, 15) and the World Bank (1998: 1-2, 12-15, 31, 59), all elaborate on the principles underpinning sound budgeting and financial management. The principles identified by these organisations include: comprehensiveness and discipline, legitimacy, predictability and transparency, accountability, contestability, honesty and information, flexibility, reporting, participation and performance and auditing.

It is important to consider what is implied by these principles. The World Bank (1998: 10) is of the view that comprehensiveness and discipline are important because the annual budget process is the only mechanism available to discipline decision making policies by the government. This is further echoed by the OECD (Allen & Tommasi, 2001: 24) who argue that the comprehensiveness of financial management and budgeting is important for maintaining fiscal discipline and for policy prioritisation.

Legitimacy of financial management and budgeting is also regarded as an important principle. According to the World Bank (1998: 10)

> *"…legitimacy refers to the fact that decision makers who can change policies during implementation must take part in and agree to the original policy decision, whether it is made independent of or during budget formulation. Legitimacy also means that decisions made during the budget process should focus on those that affect policy."*

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Furthermore, the World Bank and OECD argue that predictability is important for efficient and effective implementation of policies and programmes. The public sector will perform better when there is stability in the macro and strategic policy environment. This will also contribute to stabilising the funding of existing policy. The lack of predictability of financial resources undermines strategic prioritisation and makes planning for services difficult (World Bank, 1998: 10 & Allen & Tommasi, 2001: 24).

Transparency and accountability require that decisions taken, their reasons, results and costs, be accessible, clear and communicated to the wider community. Transparency also requires that decision makers have all relevant information before them when they make decisions. Decision makers must be held responsible for the exercise of the authority entrusted to them (World Bank, 1998: 11).

Another important principle identified is that of contestability. Contestability in policy development will ensure that existing policy is subject to review and

evaluation and that line agency performance is subject to continuous improvement (World Bank, 1998: 10).

The principle of honesty denotes a budget derived from unbiased projections of both revenue and expenditure. Information underpins honesty and sound decision making. Accurate and timely information on finances is essential for effective management of finances and budgeting as this would allow for proper planning and evaluation (World Bank 1998: 10). The UNO (1995: 14) argues that the

> *"…availability of good-quality information strengthens the motivations of managers and politicians to ensure that results are achieved and resources well managed."*

Other important principles identified include flexibility, reporting and participation. The principle of flexibility in budgeting refers to the fact that individual managers must have control and responsibility over their budgets and be held accountable for the management thereof. Reporting of financial information has also been identified as an important principle. Proper reporting will enhance accountability and transparency. The OECD argues that effective participation by relevant officials is necessary to ensure effective and efficient planning of programmes that need to be funded (Allen & Tommasi, 2001: 23).

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Additional principles include auditing, performance as well as the link between planning and budgeting. The IMF argues that public finances and policies should be subject to scrutiny by a national audit body or an equivalent organisation that is independent of the executive (IMF, 2007a: 7& IMF; 2007b: 4). In addition, the World Bank emphasises that there should be a greater focus on performance or the results achieved with expenditure as well as Adequate links between policy making, planning and budgeting (World Bank 1998: 3).

An analysis of the principles identified by the IMF, OECD, World Bank and the UNO is reflected in Figure 1 below. Figure 1 provides an indication of the emphasis placed on them. In Figure 1, Y indicates organisations which emphasise the criteria reflected in column 1 and N indicates those organisations which do not

place emphasis on those criteria. It is important to note that N does not necessarily imply disagreement with the criteria.

FIGURE 1: Principles of sound financial management and budget reform

Criteria	World Bank	IMF	OECD	UNO
Comprehensiveness and discipline	Y	Y	Y	Y
Legitimacy	Y	Y	Y	Y
Predictability and transparency	Y	Y	Y	Y
Contestability	Y	Y	Y	Y
Honesty and information	Y	Y	Y	Y
Accountability and integrity	Y	Y	Y	Y
Participation and flexibility	Y	N	Y	Y
Performance budgeting	Y	Y	Y	Y
Accounting and financial management systems	Y	Y	Y	Y
Link between planning and budgeting	Y	Y	Y	Y
Reporting	Y	Y	Y	Y
Audit	Y	Y	Y	Y

Source: Developed from IMF, 2007a; IMF, 2007b; Allen and Tommasi, 2001; UNO, 1995 & World Bank, 1998

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The principles identified by the above organisations and by Schick (World Bank, 1998: 8 & Allen & Tommasi, 2001: 22) have similarities and differences. From Figure 1 above, one can deduce that in part, the evidence suggests that there is general consensus with regard to the best practices of financial management and budget reform. The organisations have placed emphasis of similar principles. However, the terminology used differs from organisation to organisation and differences are more a matter of emphasis and related to terminology as opposed to being substantive.

The World Bank (1998: 1-2) places emphasis on the principles of comprehensiveness and discipline, legitimacy, predictability, contestability, honesty, information, transparency and accountability. The World Bank further argues that improvements in financial management require:

- a greater focus on performance measurement;
- adequate links between policy making, planning and budgeting; and
- a well-functioning accounting and financial management systems.

In 1998, the IMF introduced a Code of Good Practice on Fiscal Transparency which was subsequently revised and updated in 2007 (IMF, 2007a: 1-4). The Code is based on objectives which are similar to those of the World Bank. The OECD (Allen & Tommasi, 2001: 19-22), places emphasis on the need for financial management and budget reform to achieve three basic objectives of maintaining aggregate fiscal discipline, allocating resources in accordance with government priorities and promoting the efficient delivery of services. The UNO (1995: 4-5, 15), emphasises the principles usually associated with financial management reform as the use of a structured planning and programming process for evaluating and choosing alternatives for achieving desired objectives, preparing consolidated reports, measuring outputs as well as inputs, encouraging financial accountability, using appropriate accounting principles and integrating budgeting and accounting.

There are also some differences in the emphasis placed on the principles discussed. One notable difference, is that the IMF (2007a: 1-4) does not place an emphasis on participation of financial management and budget processes.

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2.4. Summary

This chapter placed the area of financial management in context. The definition of financial management in the chapter underscored the elements of financial management as budgeting, expenditure management, accounting, financial management systems, public accountability and control and performance management.

The chapter further provided an indication of best practice guidelines as regards financial management and budget reform carried out by a number of organisations. It also became evident that emphasis is placed on different principles by these organisations. The main principles identified are: comprehensiveness and discipline, legitimacy, predictability and transparency,

accountability, contestability, honesty and information, flexibility, reporting, participation and performance.

The question now arises as to what extent these principles were taken into consideration when the South African government embarked on the reform agenda. The next chapter of the research report discusses the financial management and budget reforms introduced by the South African government after 1994.

CHAPTER 3: SOUTH AFRICA'S LEGISLATIVE FRAMEWORK

3.1. Introduction

The principles identified in the previous chapter of the research report, represents the state of the art in financial management and budget reform. These principles find expression in South Africa's financial legislation and policies. This chapter is divided into two sections. The first section provides an overview of the financial management and budget reforms introduced by South Africa since 1994 and indicates how this relates to international best practice. The second section outlines the current South African theoretical framework of analysis which is used to evaluate the implementation of these reforms in the Health Sector in South Africa.

3.2. An overview of budget reforms in South Africa since 1994

Effective management of public finances is enshrined in the Constitution. Section 215 of the Constitution acknowledges the importance of sound financial management and budgeting practices by stating that

> "…*National, provincial and municipal budgets and budget processes must promote transparency, accountability and the effective management of the economy, debt and the public sector"*.

According to the National Treasury (2003a: 2), Sections 215 and 216 of the Constitution provide an essential foundation for the implementation of key budget reforms and legislation such as the Public Finance Management Act (PFMA: Act 1 of 1999).

Figure 2 below provides a comparison of the financial management and budgeting principles that were in place prior to 1994 and the features of the reformed financial management and budgeting system introduced after the new democratic government came into power in 1994.

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FIGURE 2: Financial management and budgeting principles pre and post 1994

Pre 1994	Post 1994
• Centralised • Single year framework • Parliament acted as a rubber stamp • Few links with planning processes	• Decentralisation of the budget • Introduction of the MTEF • Promulgation of the PFMA and its implementation, • Improving the link between planning, budgeting and reporting with the introduction of strategic planning, annual reporting and the inclusion of measurable performance objectives in budget documentation

Source: Adapted from: National Treasury (2003a: 3) and National Treasury (2000c: 2)

The financial management and budgeting system inherited in 1994 was highly centralised. It was highly fragmented with minimal linking to the planning process. The system was characterised by a lack of accountability and parliament merely acted as a 'rubber stamp' in the budgeting process. Cole and Folscher (2004: 109-110) argue that it

> *"…was not transparent, with poor underlying information systems, hidden spending and inadequate mechanisms to extract useable information for budgeting and accountability purposes"*.

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Confronted by these challenges, the government embarked on the implementation of a series of financial management and budget reforms. Abedian (2005: 11) states that the main aim of the introduction of financial management and budget reforms by the South African government include: establishing an appropriate link between strategic objectives and expenditure plans, ensuring fiscal discipline, promoting the efficient use of resources, empowering managers to make effective decisions, introducing transparency and accountability in the process and the accessibility of information. Cole and Folsher (2004: 110-111), commenting on the South African budget reform process, identify the principles underlying these reforms as comprehensiveness and integration, political oversight and a focus on policy priorities, using information strategically, changing behaviour by changing incentives and ensuring budget stability and predictability. In addition, the

National Treasury (2006a: 4-5) identifies accountability, autonomy, good governance and responsibility over budgets as principles underlying the financial system. These principles and those included in the Constitution are clearly in line with international best practice guidelines discussed in the previous chapter.

The implementation of the South African financial management and budget reform process can be grouped into three phases. The first phase of reforms involved the introduction of decentralised budgeting to the different spheres of government. Furthermore, in the 1998 Budget, the South African Government introduced 3-year rolling spending plans for national and provincial departments under the Medium Term Expenditure Framework (MTEF). The adoption of the PFMA in 1999 and its implementation in 2000 signalled the second phase of the programme of reform. The third and final phase of reform involved deepening the budget process and better alignment of policy and planning through the introduction of the tabling of strategic plans and annual reports as well as the specification of measurable objectives and output performance measures (National Treasury, 2003a: 2 & National Treasury, 2000b: 1-2). The next section of the chapter will discuss the three phases of reform in more detail.

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3.2.1. Intergovernmental finance system

The first major step forward with regard to transforming financial management and budgeting in South Africa began in 1997 with the introduction of the Intergovernmental Fiscal Relations Act (IGFR Act: Act 97 of 1997). This Act introduced a new decentralised intergovernmental system of financial management and budgeting and required all three spheres (national, provincial and local) to develop and adopt their own budgets. The adoption of this Act was accompanied by a system of significant transfers to provinces and municipalities (National Treasury, 2003a: 2).

Ajam (2001: 132-133) and National Treasury (2004b: 3) distinguish between the 'vertical' and horizontal' division of revenue. The 'vertical' division of revenue

refers to the allocation of funds to the national, provincial and local spheres of government (Ajam, 2001: 132). On the other hand, the 'horizontal' division of revenue refers to the division of revenue between each province through the provincial equitable share formula (2004b: 3).

In order to facilitate decentralisation, various fora have been established in terms of the IGFR Act. These fora provide opportunities where discussions take place on a range of financial and fiscal issues related to the three spheres of government. Some of the most important intergovernmental fora in this regard include the Extended Cabinet and President's Co-ordination Council, the Budget Council, the Budget Forum, MinMECs, which are sector policy forums of the Ministers and their provincial counterparts, and joint MinMECs between selected sectors and the Budget Council (National Treasury, 2004b: 16 & National Treasury, 2006a: 7-8).

3.2.2. The Medium-Term Expenditure Framework (MTEF)

In the 1998 Budget, the government introduced 3-year rolling spending plans for national and provincial departments under the MTEF. According to the National Treasury (2003a: 1)

> *"…strengthening the link between policy priorities and public expenditure is at the core of medium-term budgeting. Public expenditure translates policy priorities into the delivery of services to communities, and is therefore a key tool for accomplishing public goals. This serves to strengthen political decision-making and accountability. Consequently, policy choices and trade-offs are made explicit, spending decisions are kept affordable in the medium-term, and there is better management of public finances over time."*

Budgeting within the MTEF is based on a set of basic principles which revolve around fiscal policy and the budget framework; policy priorities and public expenditure; political oversight of the budget process and budgeting for service delivery (National Treasury, 2003a: 3). Budgeting within the MTEF has a number of advantages. These include a greater certainty as policy priorities are set out in advance, allowing departments to plan and budget for the delivery of services in

line with policy priorities, affordable spending in the medium term as departments plan and spend on programmes according to an agreed 3 year resource allocation and improved management of public finances as Government's medium term fiscal target, tax policy and debt management may be linked to agreed spending commitments (National Treasury, 2003a: 3).

3.2.3. The Public Finance Management Act (PFMA)

The necessity of an act to deal with public finance management stems from the Constitution. The objective of the PFMA is to modernise financial management and enhance accountability. The PFMA regulates financial management in national and provincial governments, institutions, entities and enterprises (National Treasury, 2000b: 3 & National Treasury, 2000c: 1).

The PFMA adopts an approach to financial management, which focuses on outputs and responsibilities and is part of a broad strategy on improving financial management in the public sector. The Act clarifies the responsibilities of the executive authority or political head who is responsible for the policy choices and outcomes and the head of department or accounting officer whose responsibility it is to deliver the outputs as defined in the departmental budget. The PFMA also provides managers greater flexibility but at the same time holds them accountable for financial management (National Treasury, 2000b: 2 & National Treasury, 2000c: 2).

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The PFMA was implemented in a phased approach. The first phase of implementation focused on the basics of financial management, such as the introduction of proper financial management systems, appropriation control and the accountability arrangements for the management of budgets as well as on empowering accounting officers. Subsequent phases of implementation focused on the efficiency and effectiveness of programmes and best practices in financial management, which could only be systematically introduced after the basics of financial management were in place (National Treasury, 2000c: 2).

3.2.4. Other financial management and budget reforms introduced

The third phase of reforms that was introduced by the National Treasury is aimed at consolidating the alignment between policy and spending. These include the introduction of tabling strategic plans and annual reports as well as reporting on performance.

Since the 2002/03 financial year, national and provincial departments were required to table strategic plans. A strategic plan can be described as

> *"…a plan formulated from the departments mission statement and which addresses the two or three outcomes that the department will focus on. It includes high level output objectives, performance measures and indicators."* (Visser & Erasmus, 2002: 371).

At the provincial level, strategic plans are based on the uniform budget and programme structures for a number of sectors including Health. This allows one to compare across services rendered across provinces as the strategic plans are customised with performance measures and measurable objectives for each sector (National Treasury, 2004b: 22).

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Since the 2002/03 financial year, departments have prepared and published annual reports which provide financial statements and account for the activities for the Departments for a particular financial year. The annual reports should demonstrate a strong link with the strategic plan of the department (National Treasury, 2004b: 23). The annual reports also include the audit outcomes of departments as signed off by the Auditor-General (AG). The audit opinion classifies financial statements as unqualified, qualified, adverse or disclaimed. In addition, the audit opinion may include an 'emphasis of matter', on matters requiring attention from management. An unqualified audit opinion with 'emphasis of matter' is the least severe opinion. A qualified audit opinion indicates that the financial statements present a fair view

of financial affairs with the exception of matters highlighted under the qualification. The worst audit opinions are an adverse or disclaimed opinion. An adverse opinion is expressed when the auditor does not agree that the financial statements present a fair view. An audit opinion is disclaimed when the auditor has not been able to obtain sufficient and appropriate audit information to be able to express an opinion on the financial statements.

Budget and financial management reforms include not only monitoring financial information but also monitoring and measuring output against targets and measurable objectives. Service delivery information and performance measures were first introduced in the 2001 Budget. To this end the Estimates of National Expenditure (ENE) has already provided a platform by including details of departmental measurable objectives. This type of information has also been included in provincial budget statements (National Treasury, 2003a: 6).

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3.3. An analytical framework

From the theory presented in chapter 2 and the legislative framework provided above, the following is presented as an analytical framework which may be used to assess the implementation of the financial management and budget reforms of the Health Sector. The framework needs to focus on the following criteria:

- Governance of financial affairs
- Management arrangements;
- Planning and budgeting;
- Revenue and expenditure management; and
- Asset and liability management.

The National Treasury has developed a 'Normative Measures' questionnaire in order to specifically assess the implementation of the PFMA (National Treasury, Undated1: Annex A). The criteria above are also encapsulated in the 'Normative Measures' questionnaire. The analytical framework will use parts of the

'Normative Measures' questionnaire in order to assess the implementation of financial management and budget reforms in the Health sector.

3.3.1. Governance, structure, responsibility and management arrangements

In terms of governance the main issues considered include: 1(a) the accountability structure of the sector; and 1(b) the line of responsibility reporting, which requires some knowledge of the management arrangements, Other important aspects that need to be considered under the governance section is: 1(c) if the information required is readily accessible to the public and for the research; and 1(d) if the individuals required from the national and provincial departments were accessible for the interviews.

In terms of management arrangement there are a number of aspects that need to be assessed. The main question is: 2(a) whether the Department has a permanently appointed Accounting Officer (AO); and 2(b) if this is the case it needs to be determined as to when the Accounting Officer was appointed.

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It further needs to be assessed as to how 3(a) the responsibility of the accounting officer was delegated prior to a permanent accounting officer being appointed E.g. 3(b) was someone acting or was it on a rotational basis?

Another important criteria is 4(a) whether the accounting officer delegated his/her responsibility to other officials in terms of the PFMA. This refers to whether there are written financial delegations in place.

One of the most important criteria which needs to be assessed 5(a) is whether a Chief Financial Officer (CFO) has been appointed 5(b) It is important that the CFO has the appropriate qualifications and the appropriate experience.

The finance component of the department also needs to be assessed. Here the most important issues are: 6(a) whether the finance component has been aligned to support the CFO and the implementation of the PFMA; 6(b) what posts have

been approved in the finance section; and 6(c) are all the posts filled? If not what is the vacancy rate; and 6(d) what are the qualifications of the all the staff appointed in the finance component.

In terms of management arrangements it also needs to be determined 7(a) whether over the last five years there was a large turnover of staff in the finance component and at management level.

Another significant aspect that needs to be assessed is that of internal control. Here the most pertinent issues are whether: 8(a) A comprehensive system of internal control been established by the AO to ensure that the identified major risks are mitigated and that the organisation's objectives are attained; 8(b) the AO ensured that a formal risk assessment is undertaken to determine the major risks (key strategic and material/ significant risks) facing the organisation; 8 (c) the strategies and control activities implemented by management are adequate and appropriate to mitigate identified major risks; 8(d) audit enquiries raised by the Auditor General are being finalised timeously; 8(e) the department has a system of internal audit; 8(f) an appropriate head of internal audit has been appointed; 8(g) the internal audit committee fully functional If so how often and to whom does the internal audit unit report; and 8(h) whether an audit committee has been established and how often they meet.

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3.3.2. Planning and budgeting

In terms of planning and budgeting important questions include 9(a) whether the department tabled strategic plans in the legislature on time since the 2003/04 financial year; 9(b) requires that it be assessed to whether the department reports on performance information in the annual reports and whether systems are in place to collect such data. Another important aspect to consider 10, (a), is whether the strategic plan is in line with expenditure estimates as stipulated in the budget documents.

3.3.3. Revenue and expenditure management

In terms of revenue and expenditure management, the primary criterion is if 12(a) over/under spending is monitored on a regular basis and reported to the relevant authorities including the executive authorities.

3.3.4. Asset and liability management

In terms of asset and liability management, the following questions need to be raised: 13(a) has the department established a comprehensive asset register for departmental assets; 13(b) has the department developed a policy and procedure manual to ensure effective management of assets; 13(c) are effective processes in place to collect outstanding debt; 13(d) does the department produce a debtor's age analysis on a regular basis; 13(f) has the accounting officer established a debt write-off policy; 13(g) are all payments due to creditors settled within the prescribed period; and 13(h) are all payments due to creditors settled within the prescribed period.

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An important aspect for this investigation is for departments to provide, 14(a), an assessment of which aspects were facilitating and constraining the implementation of budget reforms within the Department.

3.4. Summary

Since 1994, South Africa has introduced a number of financial management and budget reforms including the promulgation of the PFMA. These reforms are based on the principles of comprehensiveness and discipline, legitimacy, predictability and transparency, accountability, contestability, honesty and information, flexibility, reporting, participation and performance. This is also in line with international best practice guidelines.

The analytical framework focuses on issues related to governance of financial affairs, management arrangements, planning and budgeting; revenue and expenditure management and asset and liability management. In terms of governance, emphasis is placed on the responsibility and reporting structure of the finance section. In terms of management arrangements the primary criteria was whether there is a permanently appointed AO and CFO in the department. With regard to revenue and expenditure management the issue of the monitoring of the spending of the budget is considered. In terms of planning and budgeting the issue is whether strategic plans are tabled on time and whether performance information is included in the strategic plan. The asset and liability management section assesses whether there are systems and practices such as asset registers in place and how debt is managed in the department.

The following chapter of the research report examines and discusses the implementation of the financial management and budget reforms in the Health Sector using the above analytical framework.

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CHAPTER 4: CASE STUDY-THE HEALTH SECTOR

4.1. Introduction

In South Africa, public health services cater for the needs of approximately 80 per cent of the population (National Treasury, 2004a: 51). The functions, obligations and mandate of the Health Sector are determined by Section 27 (1) of the Constitution which states that everyone has the "*right to access health care services, including reproductive health care.*" Impetus, to this section of the Constitution, is given by various legislation and policies. The primary Act which governs the Health Sector is the National Health Act (NHA: Act 61 of 2003). The NHA sets the framework for health service delivery in the country, formalises the governance framework for the public health system and provides the legal basis for the district health system. It also regulates key areas of health service delivery such as rights and obligations of users, national health research and the certification and inspection of health establishments. The policy on universal access to Primary Health Care (PHC) forms the basis of healthcare delivery programmes. The services provided by PHC workers include immunisation, communicable and endemic disease prevention, maternity care, screening of children, Integrated Management of Childhood Illnesses (IMCI) and child healthcare, health promotion, youth health services, counselling services, taking care of chronic diseases and diseases of older persons, rehabilitation, accident and emergency services, family planning, and oral health services. It is important to note that provinces are also able to enact their own legislation as required (GCIS, 2007: 351-354; GCIS, 2006: 378-381; GCIS, 2005: 345-347; GCIS, 2004: 373-376; Gray & Pillay, 2006: 5-8; Gray, Gengiah, Govender & Pillay, 2005: 17-20 & National Treasury 2005b: 30-31).

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In order for the Health Sector to carry out its mandate, these services need to be funded and proper financial management and budgeting is required. The consequences of ineffective financial management may result in ineffective public health services being rendered. In recent years, the Health Sector has been on the

receiving end of bad publicity as a result of poor audit outcomes which consequently had a negative impact on health service delivery. A case in point in this regard is the current situation at the Chris Hani Baragwanath Hospital. This hospital has had its equipment budget cut by more than half during the current financial year. This has had a negative impact on service delivery at the hospital, particularly on the maternity section. It was indicated that about 100 mothers are admitted daily to give birth. However, there are only 16 beds for admissions. This results in each bed being used by approximately six different patients a day. There is also a chronic shortage of linen and mattresses in the maternity section and these are permanently soiled. Furthermore, beds are pushed together to make one large bed for patient overflows (Flanagan, 2007: 1-2).

The main objective of this chapter is to describe the Health Sector as a case-study in order to assess the implementation of financial management and budget reform. To achieve this objective, the analytical framework discussed in the previous chapter is used as a reference. The information is organised around the 4 criteria of governance and management arrangements, planning and budgeting, revenue and expenditure management and asset and liability management.

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4.2. Governance, structure, responsibility and management arrangements

Some of the most important characteristics of good governance identified by King (2006: ix) is that of responsibility and accountability. This section focuses on these governance aspects by providing an overview of the structure of the Health Sector, particularly as it relates to responsibility, reporting and accountability requirements in terms of financial management.

4.2.1. Responsibility and structure of the Health Sector

Health as a service is classified as a concurrent function between the three spheres of government in the Constitution. However, in recent years the PHC service (with the exception of environmental health services) has been transferred as a

function of local government to provinces (National Treasury, 2004a: 51). The National Department of Health (DoH) is responsible for developing overall Health policy in the country. Other responsibilities of the DoH include ensuring appropriate use of health resources, co-ordinating information systems, monitoring national health goals, regulating the public and private healthcare sectors, ensuring access to cost-effective and appropriate health commodities and liaising with health departments in other international agencies and countries. Provinces on the other hand, are responsible for implementation of services. Provincial health departments provide a range of services, from PHC to tertiary and higher-level care as well as emergency medical services. Provinces also formulate and implement provincial health policy, standards and legislation. In addition, they also have the option to delegate or assign PHC services to municipalities with delivery capacity (GCIS, 2007: 351; GCIS, 2006: 378; GCIS, 2005: 343-344 & GCIS, 2004: 373).

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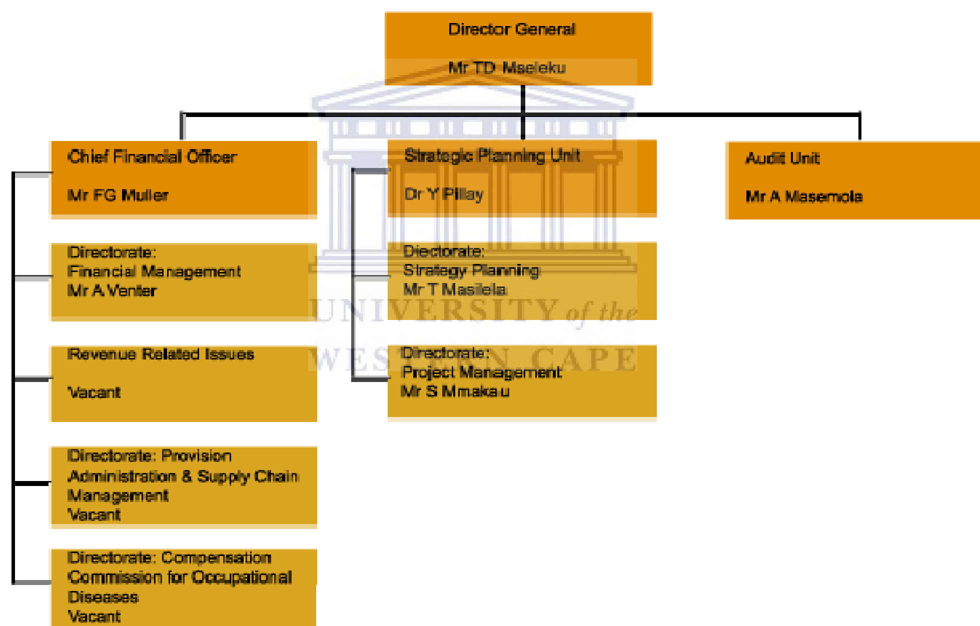
The services rendered by line function departments such as Health, line managers and individuals responsible for service delivery are reflected in the organogram of the respective departments. An important link in terms of the financial management process is the appointment of a suitably qualified Accounting Officer (AO) and Chief Financial Officer (CFO). According to the National Treasury (Undated1: 8), the CFO should be directly accountable to the AO and an appropriate support structure should be appointed in order for the CFO to adequately carry out his/her duties. In the Health Sector, this becomes a bit more complicated, with financial management and budgeting being decentralised to the hospitals. However, each provincial department has adopted an approach that suits it the best as far as financial management is concerned and for monitoring financial management in hospitals.

Through observation, since 2003/04, it can be concluded that there has been a large turnover of AOs in the Health Sector. The DoH, Gauteng, Kwazulu-Natal (KZN) and Limpopo have all changed AOs since 2003/04. During a period in 2003/04 the DoH was without a permanently appointed AO. This responsibility

was rotated on regular intervals amongst the Deputy Directors-General until a permanent AO was appointed (Department of Health, 2004: 9). In 2005/06, the Free State and Northern Cape also had acting AOs. This scenario is also prevalent in terms of the appointment of a CFO. Currently, the DoH has a permanently appointed CFO. In provinces the situation varies. In Limpopo an acting CFO has been appointed. Other provinces currently have a permanently appointed CFO. An interesting observation is that both the AO and the CFO of Gauteng are females (Website of the Gauteng Department of Health: http://www.health.gpg.gov.za/htm/index.htm).

FIGURE 3: Organogram of the DoH



Source: http://www.doh.gov.za/department/index.html

Figure 3 above reflects the relationship between the AO and CFO by using the DoH as an example. Figure 3 indicates that the CFO of the DoH reports directly to the AO. Under the CFO, the support structures are reflective of the financial management function that needs to be carried out. This situation is also prevalent in some provinces. It was found by National Treasury (2003d: 1), that some provincial departmental structures are generally not aligned to support the role of the CFO.

In terms of the qualifications of the CFOs the situation varies. Some appointed CFOs have appropriate financial management degrees whilst in other cases they are qualified chartered accountants. As an example the CFO of the DoH has a Bachelor of Commerce (Honours) degree (DoH website: www.doh.gov.za) and the CFO of the Western Cape Province is a qualified chartered accountant (National Treasury, 2003e). In KZN, the CFO holds a post graduate Diploma in Auditing, Honours in B Compt and Bachelor of Accounting Science degrees (KZN Department of Health website: http://www.kznhealth.gov.za). In other cases CFOs do no have suitable qualifications related to financial management but to other fields of study. An example is that the CFO of KZN in 2003 (not the current CFO) had a B.A (Public Administration) Honours degree which is not directly related to financial management (National Treasury, 2003e).

In terms of the staff within financial management components, the National Treasury (2003d:1) found that generally the vacancy rates range from 5%-50% within finance components in departments. In 2003, the Eastern Cape had the largest vacancy rate of 50% and Free State the smallest with 0.1% in finance components (National Treasury, 2003e). It raises concern that three management vacancies exist in the structure of the CFO of the DoH as is indicated in Figure 3 above.

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In terms if qualifications of staff members within the financial component, the situation varies between provinces (National Treasury, 2003e). An interesting observation is that whilst one would assume that in provinces such as the Western Cape and Gauteng it would easier to find more suitably qualified personnel with financial management degrees as opposed to provinces such as Mpumalanga and Limpopo trends show a different scenario. In 2003, the Western Cape indicated that only 26% of staff had financial management degrees. In other provinces such as Limpopo and Free State the indication was given that 90% of staff had financial management qualification (National Treasury, 2003e). More current data in this regard were not obtainable. National Treasury (2003d: 1) argues that there

still remains high demand to recruit and to retain competent finance staff within Departments.

According to the National Treasury (Undated2: 5)

> *"The accounting officer must ensure that a risk assessment is conducted regularly to identify emerging risks for the institution. The risk management strategy, which must include a fraud prevention plan, must be used to direct internal audit effort and priority and to determine the skills required of managers and staff to improve controls and to manage these risks. The risk management strategy must be clearly communicated to all officials to ensure that it is incorporated into the language and culture of the institutions, and embedded in the behaviour and mindset of its people."*

Indications are that not all departments have adequate risk management strategies in place. In 2005/06 it was found that the Western Cape does not have a formal risk management strategy and process in place. [3]

4.2.2. Financial management arrangement in the Health Sector

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One of the main issues affecting the Health Sector in recent years in terms of financial management and budgeting is the negative audit outcomes of the Sector. Figure 4 below provides an analysis of the audit outcomes of the sector since the 2003/04 financial year. It is has to be noted that the 2006/07 audit results were delayed as a result of the 2007 public sector strike and Departments were consequently given an extension to finalise their financial statements before submitting them for audit. The financial statements have now been submitted for auditing but the audit outcomes are not in the public domain as yet. Therefore these could not be obtained and included in the research.

Figure 4 below indicates that the audit outcomes are mixed. In 2003/04 trends show that 67% of audit reports were qualified. In 2004/05 this decreased to 44%. In 2005/06 the Sector reflected an increase to 56% (Auditor-General, 2006a: 53).

[3] See Western Cape audit report

In some cases the audit outcomes are improving (Western Cape and Free State) whilst in other cases (DoH, Eastern Cape, Gauteng, KZN and Northern Cape) the status quo remains. Trends in Limpopo, Mpumalanga and North West could not be determined.

FIGURE 4: Audit outcomes for the Health Sector

Health Department	2003/04	2004/05	2005/06	2006/07
National	Q	Q	Q	-
Eastern Cape	D	D	D	-
Free State	Q	UWEOM	UWEOM	-
Gauteng	Q	Q	Q	-
KwaZulu- Natal	UWEOM	UWEOM	UWEOM	-
Limpopo	X	UWEOM	X	-
Mpumalanga	X	UWEOM	UWEOM	-
Northern Cape	D	D	D	-
North West	X	Q	Q	-
Western Cape	Q	UWEOM	UWEOM	-

Source: Audit reports of the DoH and provincial departments of Health available on the DoH website: www.doh.gov.za and National Treasury website: www.treasury.gov.za

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Key: Q- Qualified Audit Opinion

U- Unqualified Audit Opinion

UWEOM- Unqualified Audit Opinion with Emphasis of Matter

A- Adverse Audit Opinion

D- Disclaimer

X- Information could not be obtained.

Linked to the issue of financial accountability and transparency is whether financial management and budget information is readily available. The primary documents in this regard are the budget documentation, strategic and annual performance plans and annual reports. These documents were generally found to be accessible on the websites of the National Treasury, DoH as well as on the provincial departmental websites. Whilst these documents are available, the public do not always engage with them and use them to hold officials accountable. In

terms of tabling these documents (particularly annual reports) in time in parliament and the provincial legislature, it was found that in some cases documents were tabled later than the prescribed period and in some cases with no reasons provided. (Auditor-General, 2006b: 1& Auditor-General, 2005c: 10).

4.2.3. Internal audit and audit committees

It is the responsibility of the AO to ensure that fully operational internal audit units and audit committees are established. In this regard, it was found that the DoH and provinces have established audit committees and internal audit units. However it has to be noted that by 2004, the Free State and the Northern Cape had not established an audit committee (Auditor-General, 2005b: 13) and that these were established later. However the arrangements vary between provinces. In some provinces, internal audit units and audit committees are shared, for example, in the case of Gauteng Shared Services (GSS). Other provinces (Eastern Cape, Limpopo and Northern Cape) have a centralised internal audit function that is coordinated from the Office of the Premier. The Eastern Cape however changed this arrangement in 2003 and a consortium of two external audit firms was appointed to perform the internal audit function. In the Western Cape, the 'big three' departments (Education, Health and Social Development) have separate internal audit units and audit committees, while other departments share (National Treasury, 2003d: 2, 15).

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Figure 5 below presents a snapshot of internal audit issues raised by the Auditor-General (AG). From the table above, it is evident that issues related to internal audit and audit committees are raised frequently by the AG. The results in this regard are mixed. In some cases such as the Eastern Cape and the Northern Cape and the DoH, the issue has been raised continuously from 2003/04-2005/06. In other cases, like KZN and the Western Cape, the matter was raised initially in 2003/04 but in subsequent years was not emphasised. In the Free State the matter was raised in the 2003/04 and 2004/05 financial years but not in 2005/06. Gauteng had no emphasis of matter raises as regards internal audit and audit committees

FIGURE 5: A snapshot of internal audit issues raised

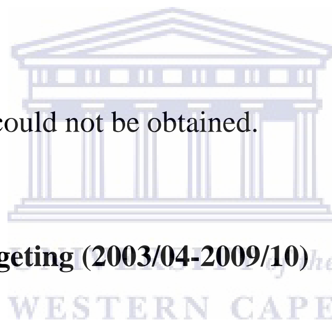
Health Department	2003/04	2004/05	2005/06
National	Y	Y	Y
Eastern Cape	Y	Y	Y
Free State	Y	Y	N
Gauteng	N	N	N
KwaZulu- Natal	Y	N	N
Limpopo	X	N	X
Mpumalanga	X	Y	N
Northern Cape	Y	Y	Y
North West	X	N	N
Western Cape	Y	N	N

Source: Audit reports of the DoH and provincial departments of Health. These are available on the DoH website: www.doh.gov.za and National Treasury website: www.treasury.gov.za

Key: Y- Yes

N- No

X- Information could not be obtained.



4.3. Planning and Budgeting (2003/04-2009/10)

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This section describes the budget, programmes and the trends of the Health Sector. Health services are primarily funded from the provincial equitable share as well as specific-purpose conditional grants for functions such as tertiary services, hospital revitalisation, and HIV and Aids, health professions training and development and forensic pathology services.

For the 2007 Medium Term Expenditure Framework (MTEF), the National Department of Health has four programmes. These are: Administration, Strategic Health Programmes, Health Service Delivery and Human Resources. The Health Sector has agreed on customised annual performance, strategic plan and annual reporting formats. Figure 6 below gives an overview of the agreed upon budget and programme structure for the sector which is used by all provinces.

Figure 6 below indicates that Provincial Health departments have 8 budget programmes. These programmes include Provincial Hospital Services as well as Central Hospital Services. The individual hospitals administered by the provinces, are reflected lower down in the budget structure. It is evident that these programmes are reflective of the services that are rendered by the Sector.

FIGURE 6: Budget and programme structure of Health

Programme	Sub-Programme
1. Administration	1.1. Office of the MEC 1.2. Management
2. District Health Services	2.1. District Management 2.2. Community Health Clinics 2.3. Community Health Centres 2.4. Community-based Services 2.5. Other Community Services 2.6. HIV/Aids 2.7. Nutrition 2.8. Coroner Services 2.9. District Hospitals
3. Emergency Medical Services	3.1. Emergency Transport 3.2. Planned Patient Transport
4. Provincial Hospital Services	4.1. General (Regional) Hospitals 4.2. Tuberculosis Hospitals 4.3. Psychiatric/Mental Hospitals 4.4. Sub-acute, Step down and Chronic medical hospitals 4.5. Dental Training Hospitals 4.6. Other Specialised Hospitals
5. Central Hospital Services	5.1. Central Hospital Services 5.2. Provincial Tertiary Hospital Services
6. Health Sciences and Training	6.1. Nurse Training Colleges 6.2. EMS Training Colleges 6.3. Bursaries 6.4. Primary Health Care Training 6.5. Training Other
7. Health Care Support Services (Only in provinces where functions are centralised)	7.1. Laundry Services 7.2. Engineering Services 7.3. Forensic Services 7.4. Orthotic and Prosthetic Services 7.5. Medicine Trading Account
8. Health Facilities Management	

Source: Moore, 2005: 22

The budgets for the health sector for 2003/04-2009/10 are attached to this report as annexure 'B'. For the current financial year, the DoH budgeted R12, 7 billion. This grows to R15, 2 billion in the outer year of the MTEF (National Treasury, 2007a: 273, 276). The lion's share of the resources is allocated to the Health Service Delivery and Strategic Health Programmes which reach R11 billion and R3, 9 billion in the outer year of the MTEF respectively (National Treasury, 2007b: 276). The total provincial Health budget for the 2007/08 financial year amounts to R59 billion and grows to R71 billion in the outer year of the MTEF. Of the provinces, KZN has the largest health budget amounting to R13, 4 million with Mpumalanga having the smallest of the budgets at R3, 6 billion. The bulk of the resources is allocated to the District Health Services programme with spending expected to double from R14, 1 billion in 2003/04 to R29, 2 billion by 2009/10. (National Treasury, 2007a: 37, 40).

One of the main cost drivers for the Sector is hospital expenditure and spending for HIV/AIDS programmes. Hospital funding grew by 10, 2 per cent annually, from R23, 1 billion in 2003/04 to R30, 9 billion in 2006/07 and is budgeted to grow 7, 2 per cent annually to R38, 1 billion in 2009/10. Growth in spending varies for different hospital types. Spending on TB hospitals has increased from R499 million to R858 million to address the increases in cases of multi-drug resistant TB. Spending on provincial tertiary and general (regional) hospitals grew significantly as specialist services are built up outside the metropolitan areas. Spending on HIV and AIDS grew sharply from R618 million in 2003/04 to R2, 4 billion in 2006/07 and is budgeted to grow to R3, 9 billion by 2009/10. A large part of the HIV and AIDS programme is funded through conditional transfers, which grew from R416 million in 2003/04 to R1, 7 billion in 2006/07. These transfers are budgeted to more than double to R2, 7 billion by 2009/10. (National Treasury, 2007: 42-45).

Whilst these services have been budgeted for, the issue arises as to whether the Sector has the capacity to spend its allocations.

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4.4. Revenue and expenditure management

This section describes revenue and expenditure management within the Health Sector. Figure 7 below, provides an overview of the expenditure trends of the Health Sector since the 2003/04 financial year.

FIGURE 7: Health spending outcomes: 2003/04-2005/06

Health Department	2003/04			2004/05			2005/06		
R' million	**Budget**	**Outcome**	**-over/ under**	**Budget**	**Outcome**	**-over- /under**	**Budget**	**Outcome**	**-over/ under**
Eastern Cape	5119	5090	29	5221	5192	29	6243	6137	106
Free State	2592	2503	89	2757	2801	-44	3127	3130	-3
Gauteng	8166	8129	37	8944	8587	357	9856	9990	-134
KZN	8257	8042	215	8876	8970	-94	10451	10586	-135
Limpopo	3597	3627	-30	4240	4174	66	5106	4796	310
Mpumalanga	2152	1953	199	2385	2258	127	2661	2672	-11
Northern Cape	754	817	-63	875	840	35	1043	1101	-58
North West	2361	2207	154	2664	2664	0	2993	2974	19
Western Cape	4602	4547	55	5166	5166	0	5791	5733	58
National	7845	7736	109	8818	8455	363	10039	9937	102
TOTAL	**45445**	**39561**	**794**	**49946**	**43915**	**839**	**57310**	**57056**	**254**

Source: Estimates of National Expenditure (ENE), provincial budget statements and Intergovernmental Fiscal Reviews (IGFRS)

In terms of outcomes for previous financial years the Health Sector has reflected a mixture of over/underexpenditure. During the period (2003/04-2005/06) under review a total underexpenditure of R1, 1 billion is recorded for the sector.

In 2003/04, the outcomes reveal a total underspending of R794 million. Underspending was reflected for Eastern Cape (R29 million); Free State (R89 million); Gauteng (R37 million); KZN (R215 million); Mpumalanga (R199 million); North West (R154 million); Western Cape (R55 million) and the DoH (R109 million). Limpopo and the Northern Cape recorded an overexpenditure of R30 million and R63 million respectively.

Although there was slight overspending in two provinces (Free State: R44 million and KZN: R94 million) in 2004/05, total underspending for the Sector amounted to R839 million, a slight increase from the previous financial year. Eastern Cape (R29 million), Gauteng (R357 million), Limpopo (R66 million), Mpumalanga (R127 million), Northern Cape (R35 million) and the DoH (R363 million) recorded an underexpenditure. The North West and Western Cape reflected no deviations from the budget.

In 2005/06 the trends were similar. The Sector reflected a combined underspending of R254 million. However, 5 provinces (Free State: R3 million; Gauteng: R 134 million; KZN: R135 million; Mpumalanga: R11 million and Northern Cape: R58 million) reflected an overexpenditure. The Eastern Cape, Limpopo, North West, Western Cape and the DoH reflected an underexpenditure of R106 million, R 310 million, R19 million, R58 million and R102 million.

The sector also collects a considerable amount of own revenue in addition to the funding received from the equitable share and conditional grants. The largest contributor of own revenue for provincial health departments is hospital patient fees. For the DoH the largest source of departmental revenue is from fees for the registration of medicines by the Medicines Control Council (MCC). However own revenue figures for the DoH could not be obtained.

Figure 8 below reflects the collection of provincial own revenue (including patient fees) since 2003/04.

In 2003/04, provinces collected a total of R792 million in own revenue (including patient fees) with the largest contributor being Gauteng (R199 million). In 2004/05 this figure increased to R874 million. In 2004/05 Gauteng remained the highest contributor (R264 million). The trend in 2004/05 reflected a collection of R963 with the Western Cape contributing the lions share at R277 million. Whilst overall and in the Western Cape the collection of own revenue has been

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increasing, it has shown decreasing and fluctuating trends in other provinces. Own revenue has been steadily decreasing in the Free State. In provinces such as Eastern Cape, Gauteng, KZN, Limpopo, Mpumalanga, Northern Cape and North West, own revenue has shown a fluctuating trend by deceasing from 2003/04 to 2004/05 and then increasing from 2004/05-2005/06 and vice versa. The AG has raised a number of issues with regard to revenue management within the Sector and these will be analysed later in the research.

FIGURE 8: Health revenue collection: 2003/04-2005/06

Health Department	2003/04	2004/05	2005/06
R million			
Eastern Cape	78	54	63
Free State	79	75	70
Gauteng	199	264	255
KwaZulu- Natal	131	122	138
Limpopo	61	60	71
Mpumalanga	40	31	42
Northern Cape	18	31	21
North West	21	27	26
Western Cape	165	237	277
TOTAL	792	901	963

Source: Provincial budget statements and IGFRS

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In terms of expenditure and revenue management, another issue is the split between the current and capital budgets. The focus has shifted towards infrastructure and capital expenditure primarily through the implementation of the Hospital Revitalisation Programme. The hospital revitalisation programme has increased from R718 million in 2003/04 to R1, 5 billion in 2006/07, facilitating the refurbishment and rehabilitation of 40 hospitals across all the provinces. (National Treasury, 2007b: 31).

4.5. Asset and liability management

One of the most fundamental tasks of the AO is to ensure the effective and efficient management of assets and liabilities. In this regard, the AO must ensure that operational asset registers are put into place. To this end it has been found

that by 2003, most of the Departments had implemented asset registers. However, in the 2003/04 financial year, Mpumalanga received a qualification as a result of not have a proper asset register in place (Auditor-General, 2004b:10).

Asset and liability management issues continue to be one of the most frequent issues raised in audit reports. Figure 9 below, presents a snapshot of issued raised by the AG with regard to asset and liability management.

FIGURE 9: A snapshot of asset and liability issues raised

Health Department	2003/04	2004/05	2005/06
National	Y	Y	N
Eastern Cape	N	Y	Y
Free State	N	N	Y
Gauteng	Y	Y	Y
KwaZulu- Natal	Y	Y	Y
Limpopo	X	Y	X
Mpumalanga	X	Y	Y
Northern Cape	Y	Y	Y
North West	X	N	Y
Western Cape	Y	Y	Y

Source: Audit reports of the DoH and provincial departments of Health available on the DoH website: www.doh.gov.za and National Treasury website: www.treasury.gov.za

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Key: Y- Yes
N- No
X- Information could not be obtained.

Closer analysis of Figure 9 above, suggests that asset and liability management poses a considerable challenge to departments. However, the major emphasis in this regard is on asset management. The majority of the provinces (Gauteng, KZN, Northern Cape and Western Cape) have had issues raised with regard to asset and liability management for all three years under review. Free State has had a matter related to asset management raised in 2005/06. The DoH, has had an emphasis of matter raised in 2003/04 and 2004/05 but not in the 2005/06 financial year.

4.6. Summary

This Chapter depicted the Health Sector as a case-study in order to assess the implementation of financial management and budget reforms. Health is a concurrent function between the spheres of government. The national sphere is responsible for policy formulation whilst the provincial sphere is responsible for the implementation of services.

There has been a large turnover of AOs and CFOs as well as financial management staff. It is also difficult to attract and retain suitably qualified staff within financial management components. Furthermore, staff employed within the financial management component does not always have appropriate qualifications related to financial management.

In terms of the audit outcomes since 2003/04, the results indicate mixed findings. Some provinces are showing improvement, others a worsening trend, whilst in other cases the same outcome was obtained for all the years under review.

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Each province has its own arrangement as far as internal audit and audit committees are concerned. The AG has continued to raise concerns regarding the internal audit and audit committee functions in the Sector.

The budget and programme structure is reflective of the services rendered by the Sector. The budget of the Sector reflects a growing trend. One of the main cost drivers for the Sector is hospital expenditure and spending for HIV/AIDS programmes.

In terms of outcomes for previous financial years the Health Sector has reflected a mixture of over/underexpenditure. A total underexpenditure of R1, 1 billion is recorded for the sector for the period under review. Own revenue collection is an important source of funding for the Sector. The largest contributor of own revenue for provincial health departments is hospital patient fees. The trend has been to

under budget and over-collect on own revenue. The focus has also shifted towards capital and infrastructure expenditure as opposed to current expenditure.

The matter of asset and liability management in the Sector has been raised frequently by the AG and poses challenges towards effective financial management and budgeting. An analysis of trends illustrated in this chapter is provided in chapter 5.

CHAPTER 5: ANALYSIS OF FINANCIAL MANAGEMENT AND BUDGETING PRACTICES IN THE HEALTH SECTOR

5.1. Introduction

Whilst there are some improvements in the financial management of the Health Sector, there still remain a number of constraints to the implementation of financial management and budget reform. This chapter provides an analysis of the trends described in the previous chapter regarding the experiences of the Health Sector in implementing financial management and budget reform practices. In particular, emphasis is placed on the factors facilitating and constraining the implementation of these practices in the Health Sector. The information is organised around the same criteria used in previous chapters.

5.2. Governance, structure, responsibility and management arrangements

It was determined in the previous chapter that results in respect of governance, structure, responsibility and management arrangements vary between provinces. This section analyses the reasons for the differences in this regard.

5.2.1. Responsibility and structure of the Health Sector

In terms of management arrangements, the main impediment in implementing financial management and budget reforms is the lack of permanently appointed Accounting Officers (AOs) and Chief Financial Officers (CFOs). This is compounded by the turnover of staff in finance components within the departments. Furthermore, CFOs and staff members do not always have the appropriate qualifications. This is indicative of a broader skills shortage within the area of financial management and budgeting in the country. Despite an indication to the contrary in the previous chapter, through observation and media reports it has been acknowledged that rural provinces are finding it particularly harder to

attract and retain suitably qualified staff in finance components. A reason for this could be that people want to work in urban centres where they find that their standard of living is improved as opposed to the rural areas. Furthermore, individuals employed in finance components, are unable to be retained due to the lure of better employment opportunities. It was indicated by Mr A that due the complexity of the Health Sector a valuable amount of experience is gained in terms of financial management and budgeting and this consequently results in an exodus of officials who receive lucrative offers from other government departments or the private sector.

From the above, one can list a number of factors that are constraining the implementation of financial management and budget reform in the Heath Sector. These are:

- A lack of capacity;
- Turnover of staff including management staff;
- Staff members are not qualified in the field of financial management and budgeting; and
- Rural areas are not able to appoint and retain adequate staff.

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All the above relate to issues of capacity and skills which is a broader public sector problem.

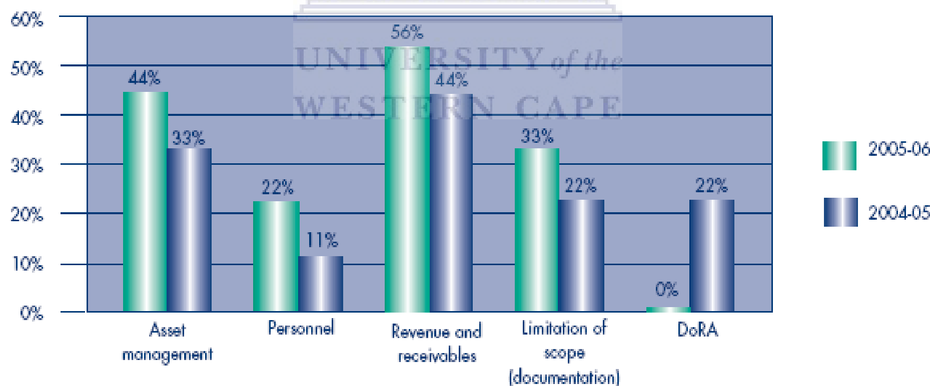
The argument could be made that if the trends were reversed in this regard, these factors could be considered as those facilitating the implementation of financial management and budget reform in the country. An example of this is the Western Cape and Free State who had managed to improve its audit outcome as reflected in Figure 4. It can be argued that a possible reason these provinces were able to do this is that as compared to other provinces, they have a wider skills base with more qualified people able to carry out financial management and budgeting functions.

5.2.2. Financial management arrangement in the Health Sector

In terms of the National Department of Health (DoH), the main reasons for qualifications in 2003/04, 2004/05 and 2005/06 is the non-compliance with the annual Division of Revenue Act (DoRA) in terms of the management of conditional grants. It was noted by the Auditor General (AG) in the audit reports of the DoH that in spite of the grants being underspent, transfers were still being made to provinces. The DoH did not adequately perform financial and operational monitoring of compliance with the provisions of conditional grants.

Figures 10, 11 and 12 below present an analysis of the qualification issues and emphasis of matter raised in the Health Sector in the 2003/04, 2004/05 and 2005/06 financial years. These Figures exclude the DoH.

FIGURE 10: Qualification issues in the Health Sector (2004/05-2005/06)

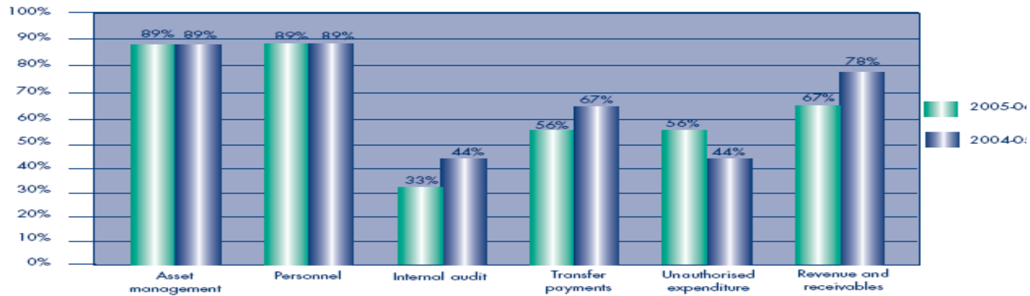


Source: Auditor-General, 2006a: 54

From the Figures above and below, one is able to deduce that in terms of the provinces some of the main reasons for disclaimed and qualified audit opinions and emphasis of matter relate to a variety of issues including asset management, personnel expenditure, internal audit functions, transfer payments, unauthorised, irregular, fruitless and wasteful expenditure, irregular payments and staff leave (Auditor-General, 2005b: 10-15). Interestingly, internal audit was not a reason for

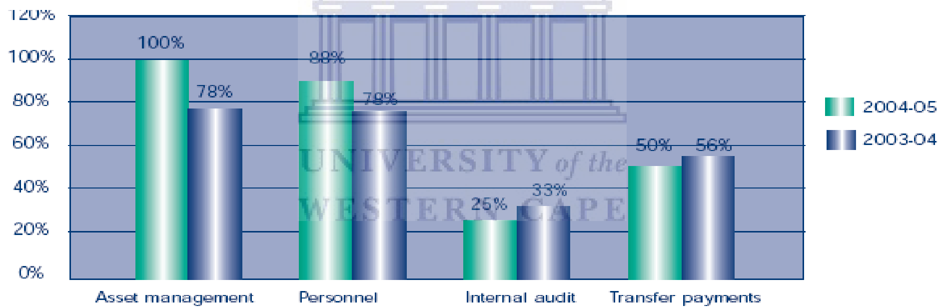
qualification in the 2004/05 financial year although sustained emphasis of matter is raised in this regard.

FIGURE 11: Matters emphasised in the Health Sector (2004/05 and 2005/06)



Source: Auditor-General, 2006a: 54

FIGURE 12: Matters emphasised in the health Sector (2003/04 and 2004/05)



Source: Auditor-General, 2005a: 57

These issues have been raised consistently over a number of years for both the DoH and provinces. The fact that the same issues have resulted in the qualifications over a number of years and that no province aside from the Western Cape and Free State was able to improve their audit outcomes is indicative of the inability of the DoH and provincial health departments to remedy the situation. The lack of financial management capacity and adequate support staff contribute to this scenario and is a constraining factor in implementing financial management and budget reform.

A possible reason that these provinces were able to improve its audit outcomes is that as opposed to other provinces, it has greater capacity to implement the recommendations made by the AG and to implement sound financial management and budgeting processes. The Western Cape has also implemented a sophisticated financial management system in terms of which hospitals have to report on financial management. Adequate capacity and effective financial management systems can be considered as facilitating factors for the implementation of financial management and budget reforms.

Capacity constraints can be considered to be a ‘golden thread’ which holds true for all aspects of financial management and budget reform.

5.2.3. Internal audit and audit committees

In general most institutions have met the legislative requirements for the establishment of internal audit and audit committees. Nevertheless, the evidence presented in Figure 5 suggests that provinces such as the Eastern Cape and the Western Cape continue to receive sustained emphasis of matter relating to internal audit and audit committees. Three possibilities are prevalent here. In some cases (Western Cape) the issue raised may remain the same whilst in other cases (Eastern Cape) it differs. In other cases the same issue is raised but with the AG raising additional concerns (Free State)[4]

In general the AG has raised a number of other concerns with regard to the functioning of internal audit and audit committees. These could be regarded could as constraining factors. These include:

- Audit committees are not operating in terms of a written terms of reference,
- Work not performed according to annual internal audit work plan (KZN, Limpopo, Mpumalanga and North West: 2003/04)
- Audit reports not submitted to the Audit Committee (Eastern Cape: 2003/04)
- The existence of inadequately trained internal audit personnel; and

[4] See audit reports of the provinces

- Difficulties being experienced in attracting skilled personnel.

Furthermore, the AG raised issues with regard to efficiency and effectiveness of the functioning of internal audit unit and audit committees. The issues reported revolve around two factors: an effective and efficient internal audit function not ensured (Eastern Cape, Gauteng and Western Cape: 2003/04) and internal audit functions were not fully functional (Eastern Cape, Free State and Northern Cape: 2003/2004). In some cases there were no meetings for a particular financial year (KZN and Western Cape: 2003/04). Another important constraining factor identified is that members of internal audit units and audit committees do not always have clarity on their roles and responsibilities. As a result of the above, the Auditor-General has been reluctant to place any reliance on reports issued by internal audit units and audit committees as was the case in Free State, Northern Cape and Western Cape (Auditor-General, 2005b:13). Another constraining element is institutional 'turf' battles between internal audit units and finance sections in departments. However, given the lack of empirical data and evidence that is anecdotal and based on personal observation, this cannot be commented on in great detail in this research. These concerns can be regarded constraining factors in implementing financial management and budget reform.

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In order to ensure the implementation of fully functional internal audit units and audit committees, the National Treasury has undertaken several initiatives to provide departments with guidance in this regard, including the development of an Internal Audit Framework. Other initiatives include capacity building through training courses. In the 2005/2006 financial year, internal audit personnel from national and provincial departments benefited from the roll-out of 24 training courses on 'Managing the Internal Audit Function and A Practical Approach to Internal Auditing'. These initiatives can be regarded as facilitating factors for the implementation of financial management and budget reform.

5.3. Planning and Budgeting (2003/04-2009/10)

In terms of planning and budgeting, the implementation of budget reforms is facilitated by the introduction of uniform budget and programme structures. Another facilitating factor is that the National Treasury has issued generic strategic planning formats for the sector based on agreed upon outputs. This makes aggregation of information easier, as well as enabling monitoring to be carried out more effectively.

However, a constraining factor is that planning and budgeting is not always linked, resulting in incorrect budgeting. The consequence of this is poor service delivery. This forms part of revenue and expenditure management and will be further discussed in the next section.

5.4. Revenue and expenditure management

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Revenue and expenditure management is integrally related to budgeting and planning. In terms of revenue and expenditure management, the main concern is the over/under expenditure of the budget by the Sector. This provides an indication that the Sector does not have the capacity to spend it allocation, or it is facing spending pressures. This is further hampered by improper planning for the allocations.

In terms of expenditure management, departments were found guilty incurring unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Unauthorised expenditure is defined as the overspending of a vote or a main division within a vote, or expenditure that was not made in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division. Irregular expenditure is defined as expenditure, other than unauthorised expenditure, incurred in contravention or not in accordance with a requirement of any applicable legislation. Fruitless and

wasteful expenditure is regarded as expenditure that was made in vain and would have been avoided had reasonable care been exercised (Auditor-General, 2005b: 15). This has contributed to some departments such as Limpopo and the Northern Cape overspending their budgets as reflected in Figure 7.

To give a brief analysis of these trends only the 2003/04 financial year will be considered and not the entire review period. The reason for this is that this would extend the research report beyond its allocated limit. During the 2003/04 financial year, the Sector was not guilty of incurring fruitless and wasteful expenditure.

In the 2003/04 financial year, Gauteng reflected and unauthorised expenditure of R169 million. The province overspent on the Health Administration, Central Hospital Programme and Health Facilities Management Programme by R1 million, R142 million and R25 million respectively. The province cited the reason for this trend as being the fact that the establishment of tertiary services in neighbouring provinces was not progressing as anticipated. Hence Gauteng hospitals continued to deal with referrals from these provinces. The Northern Cape disclosed an unauthorised expenditure of R143 million but no reasons for this were found in its report. KZN overspent on Programme 2 and 4 by R2 million collectively as a result of incorrect allocations by institutions between current and capital expenditure. In the Western Cape , the budgets of programmes 3, 4 and 5 were exceeded by R0,7 million, R0,3 million and R19,6 million respectively (total R20,6 million). The Province indicated that a portion of this amount constitutes overspending inherited from the previous structures (before 1995) within the Province.[5]

In terms of irregular expenditure incurred, Free State, Gauteng and North West incurred such expenditure during the 2003/04 financial year. Free State incurred irregular expenditure to the tune of R2, 7 million. This includes a payment of R572 052 which was made where the emergency delegated powers were exceeded and the necessary Preferential Procurement Policy Framework Act forms were not

[5] See annual financial statements and annual reports of the provinces and Auditor-General, 2004b:45-73).

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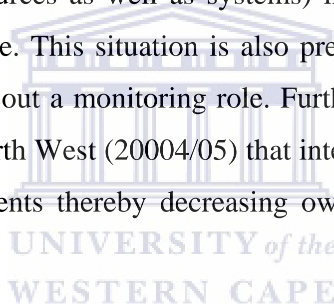
completed. At a particular hospital in Gauteng, a settlement totalling R15 000 (R10 000 and R5 000), were paid to relatives of patients for funeral costs. During the audit of expenditure at one hospital it was found that cell phone expenses were paid for an official that was suspended. In the North West, irregular expenditure amounted to R86 million which was unresolved from the previous financial year.

Through observation and monitoring of provincial health budgets, the trend in terms of revenue management has been for departments to under budget and over collect own revenue . This relates to the inability of departments to carry out revenue planning correctly. The reasons for this are related to capacity constraints as well as proper revenue forecasting systems not being in place. Another constraining factor in this regard is that departments do not have the required capability (human resources as well as systems) in place to effectively monitor expenditure and revenue. This situation is also prevalent in provincial treasuries who also have to carry out a monitoring role. Further issues were raised in, Free State (2004/05) and North West (20004/05) that interest was not being charged on outstanding health patients thereby decreasing own revenue of the Department (reference)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A factor that however facilitates the monitoring of expenditure and revenue management is the introduction of In-Year Monitoring and Reporting (IYM) model in 2001. In terms of the Section 40 (4) of the Public Finance Management Act (PFMA: Act of 1999), the accounting officer of a department must report on a number of issues regarding revenue and expenditure at various intervals including monthly, quarterly and annually during the financial year. The IYM model was developed with the purpose to automate the reporting process by eliminating recapturing of data as much as possible and thereby enabling managers to spend more time on analysis of the data. The IYM model is completed on a monthly basis but the information may be aggregated for the purposes of quarterly and annual reporting as well.

5.5. Asset and liability management

In terms of asset and liability management, it appears as if all departments have implemented assets registers. However, indications are that not all of the departments have maintained the asset registers as required as is reflected in Figure 9. In 2003/04; asset management was the most commonly reported issue (Auditor-General: 2004b: 10). As was previously the case, three possibilities are prevalent here. In some cases (DoH) the issue raised may remain the same whilst in other cases (Eastern Cape) it differs. In other cases the same issue is raised but with the AG raising additional concerns (Gauteng).

In terms if asset management, some of the main findings of the Auditor-General include:

- Asset register not updated (Free State, Gauteng and Mpumalanga: 2003/04)
- Lack of policy framework (North West, Gauteng and Free State: 2003/04)
- Asset register does not reconcile to annual financial statements (Eastern Cape, Free State, Gauteng and KZN: 2003/04)
- Assets could not be physically verified
- No asset register (Mpumalanga: 2003/04)
- No asset count performed
- No adequate control over assets
- Old and obsolete assets not disposed of timeously
- Assets not marked with unique numbers

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The implementation of proper asset management was also facilitated by the issuing of an asset management guideline by the National Treasury. Furthermore, the National Treasury argues that the minimum number of personnel involved with asset management within departments also impacts significantly on the department's ability to physically verify assets, a process that is required at least once a year. Whilst not verified, one could assume that a possible reason for

Mpumalanga not being able to implement an asset register is related to capacity constraints. This could be considered to be a constraining factor.
With regard to liability management and debt collection, departments do not always have a debt collection strategy. Furthermore, departments do not always follow-up on accounts which might be in arrears for longer than six months e.g. (Reference) Creditors are often not paid within the 30–day period (Eastern Cape 2003/04) and there are instances where departments may even take up to 90 days or more to pay.

In terms of paying creditors on time it was indicated that as a result of capacity problems, departments are unable to pay on time. However, in other cases it was indicated that invoices are not received on time from the creditor for payment to be effected timeously. In terms of debt owed to the department, the Western Cape indicated that concerted efforts are made to retrieve money owed to the department from debtors. This is yielding results for the province. An interesting observation in the Western Cape is that the major debt is not originating from outstanding patient fees but from the Road Accident Fund (RAF). Financial systems are unable to provide an age analysis of accounts. This is an area where it is immediately noticeable that a considerable amount of progress has been made in terms of the implementation of financial management and budget reform.

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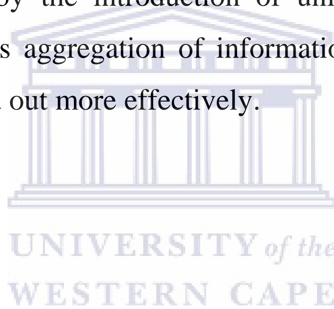
5.6. Summary

This chapter provided an analysis of financial management and budget reform implementation in the Health Sector. In particular, emphasis was placed on the factors facilitating and constraining the implementation of these practices in the Health Sector.

The primary factor identified as constraining the implementation of financial management and budget reform is capacity. The situation arises whereby there are not enough individuals to do the task or those that are responsible for carrying out financial management and budgeting tasks are not suitably qualified. Furthermore,

rural provinces are finding it particularly harder to attract and retain suitably qualified staff in finance components. There is also a high turnover of staff, including staff at management level. Indications are that the lure of better employment opportunities contributes to this. Another constraining factor is that planning and budgeting is not always linked, resulting in incorrect budgeting. In addition, systems are not always in place to facilitate financial management and budgeting.

Facilitating factors towards the implementation of financial management and budget reform includes initiatives such as the issuing of the asset management guideline, the IYM model as well as the internal audit framework.With regard to planning and budgeting, the implementation of financial management and budget reform is facilitated by the introduction of uniform budget and programme structures as this makes aggregation of information easier, as well as enabling monitoring to be carried out more effectively.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CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1. Introduction

The conclusion of the investigation must, from the outset, be integrally related to and demonstrate whether the objective and methodology of the thesis as set in chapter 1 were successfully accomplished. Secondly, the analysis and findings of the investigation have to speak to the various sections set out in the assumptions and objectives. Thirdly, the main findings and conclusions as they relate to these sections, are outlined. From these, inferences are made and omissions as well as areas for further investigation are noted before making final conclusions.

6.2. Objectives and assumptions restated

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As a matter of convenience, the restated objectives of the research or investigation were to provide a case study to conduct an investigation into effective financial management and budgeting in the Health Sector in order to enhance service delivery. To achieve the aforementioned primary objective, the study can be divided into more specific secondary objectives. These include:

- To outline a framework for analysing budget and financial management implementation in South Africa;
- To use the Health Sector in South Africa as a case-study;
- To analyse the findings with a view to identify factors that facilitate and constrain budget implementation and financial management; and
- To draw conclusions and make recommendations.

To achieve the above, the research has placed the area of financial management and budgeting in context as well as provided an overview and analysis of the principles of financial management and budget reform as identified by international institutions such as the International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), United Nations Organisation (UNO) and the World Bank which have issued best practice

guidelines on financial management and budget reform. In addition, South Africa's legislative framework as it relates to financial management and budgeting as well as financial management and budget reforms introduced by the South African government is also elaborated on. The heart of the thesis is located in chapters 4 and 5 which present the Health Sector as a case-study and an analysis of the implementation of financial management and budget reform implementation in the Sector respectively. From this the factors constraining and facilitating the implementation of financial management and budget reform were identified.

6.3. Evidence and inferences

The evidence from the various chapters are summarised below and from them inferences are made in terms of the above-mentioned objectives and assumptions.

6.3.1. Financial management and budget reform- International best practice

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Chapter 2 contextualised the area of financial management by providing a definition thereof. The elements of financial management were identified as budgeting, expenditure management, accounting, financial management systems, public accountability and control and performance management.

In addition, an overview of best practice guidelines as regards financial management and budget reform was provided and emphasis placed on the state of the art guidelines issued by the IMF, OECD, UNO and the World Bank. All these organisations elaborated on the principles underlying sound financial management and budgeting. The main principles identified are comprehensiveness and discipline, legitimacy, predictability and transparency, accountability, contestability, honesty and information, flexibility, reporting, participation and performance. Whilst consensus was reached, emphasis was placed on different principles by these organisations.

6.3.2. South Africa's legislative framework

Chapter 3 discussed South Africa's legislative framework with regard to financial management and budgeting with particular emphasis placed on the reforms introduced by the South African government after 1994. The chapter also outlined an analytical framework to evaluate the implementation of financial management and budget reform.

South Africa has introduced a number of financial management and budget reforms including the promulgation of the Public Finance Management Act (PFMA: Act 1 of 1999). It was established that these reforms are in line with international best practice guidelines.

The second part of the chapter presented an analytical framework which focused on aspects related to governance of financial affairs, management arrangements, planning and budgeting, revenue and expenditure management and asset and liability management. In terms of governance, emphasis is placed on the responsibility and reporting structure of the finance section. In terms of management arrangements the primary criteria were whether there is a permanently appointed Accounting Officer (AO) and Chief Financial Officer (CFO) in the department. With regard to revenue and expenditure management, the issue of the monitoring of the spending of the budget is considered. In terms of planning and budgeting, the issue is whether strategic plans are tabled on time and whether performance information is included in the strategic plan. The asset and liability management section assesses whether there are systems and practices such as asset registers in place and how debt is managed in the department.

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6.3.3. Case study-The Health Sector

Chapter 4 described the Health Sector as a case-study. Health is a concurrent function between the spheres of government. The national sphere is responsible

for formulation whilst the provincial sphere is responsible for the implementation of services.

Some of the main findings in the Sector include that there has been a large turnover of AOs and CFOs as well as financial management staff. It is also difficult to attract and retain suitably qualified staff within financial management components. In addition, staff employed within financial management components do not always have appropriate qualifications related to financial management.

Audit outcomes since 2003/04 indicate that some provinces are showing improvement, others a worsening trend, whilst in other cases the same outcome was obtained for all the years under review.

Each province has its own arrangement as far as internal audit and audit committees are concerned. The Auditor-General (AG) frequently raises concerns regarding internal audit and audit committee functions in the Sector.

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The budget and programme structure is reflective of the services rendered by the Sector. The budget of the Sector reflects a growing trend. One of the main cost drivers for the Sector is hospital expenditure and spending for HIV/AIDS programmes.

In terms of outcomes for previous financial years the Health Sector has reflected a mixture of over/underexpenditure. A total underexpenditure of R1, 1 billion is recorded for the sector for the period under review. Own revenue collection is an important source of funding for the Sector. The largest contributor of own revenue for provincial health departments is hospital patient fees. The trend has been to under budget and over-collect on own revenue. The focus has also shifted towards capital and infrastructure expenditure as opposed to current expenditure.

The matter of asset and liability management in the Sector continues to pose challenges for the Sector and issues in this regard are raised frequently by the AG. Furthermore, creditors are not always able to be paid on time as stipulated.

6.3.4. Analysis of financial management and budgeting practices in the Health Sector

Chapter 5 provided an analysis of financial management and budget reform implementation in the Health Sector. In particular, emphasis was placed on the factors facilitating and constraining the implementation of these practices in the Health Sector.

The primary factor identified as constraining the implementation of financial management and budget reform is capacity. The situation arises whereby there are not enough individuals to do the task or those that are responsible for carrying out financial management and budgeting tasks are not suitably qualified. Furthermore, provinces which are fundamentally rural are finding it particularly harder to attract and retain suitably qualified staff in finance components. There is also a high turnover of staff including at management level. Indications are that the lure of better employment opportunities contributes to this. Another constraining factor is that planning and budgeting are not always linked resulting in incorrect budgeting. In addition, systems are not always in place to facilitate financial management and budgeting.

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Facilitating factors towards the implementation of financial management and budget reform includes initiatives such as the issuing of the asset management guideline, the IYM model as well as the internal audit framework. With regard to planning and budgeting, the implementation of budget reforms are facilitated by the introduction of uniform budget and programme structures as this makes aggregation of information easier as well as enabling monitoring to be carried out more effectively.

6.4. Conclusion

In conclusion, the evidence presented in this research affirms that there are factors that are both facilitating and constraining the implementation of financial management and budget reform practices in South Africa. These were identified in the Health sector but may also hold true for other public service departments should they be experiencing similar challenges. One can argue that more constraints were found as opposed to facilitating factors.

The main constraint identified is that of limited capacity in the area of financial management in the country. Here the issue is that there are high levels of vacancies within financial management components. Furthermore, those who are employed do not always have appropriate skills and qualifications. Systems are not always in place to facilitate financial management and budgeting

Facilitating factors include initiatives such as the issuing of the asset management guideline, the In-year monitoring and reporting (IYM) model as well as the internal audit framework. With regard to planning and budgeting, the implementation of budget reforms are facilitated by the introduction of uniform budget and programme structures as this makes aggregation of information easier as well as enabling monitoring to be carried out more effectively.

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6.5. Recommendations

In terms of further facilitating the implementation of financial management and budget reform, a number of recommendations are made. These recommendations may be considered by the Sector, National Treasury as well as the public service in general should specific departments be experiencing similar challenges.

Initiatives need to be put in place to enhance the financial management skills base. This could include more targeted training programmes specifically for individuals employed within financial management components. Furthermore, government

and tertiary education institutions need to work together to streamline financial management degrees in order to ensure that the correct skills and knowledge are imparted. Financial management goes beyond simply having an accounting related qualification. Another suggestion is that a scarce skills allowance be considered for financial management staff in predominantly rural provinces. This is similar to the scarce skills allowance introduced for health professionals in order to retain them in rural provinces.

It is also important that an integrated financial management system be introduced across government as a matter of urgency. Whilst work has commenced on the development for the Integrated Financial Management Systems (IFMS), progress has been relatively slow and needs to be speeded up. This is essential as it would link all areas of financial management such as asset management together.

Furthermore, frameworks for the various aspects of financial management must be developed by treasuries and implemented for all levels of finance staff. This has already commenced in terms of National Treasury issuing guidelines such as the asset management guideline but needs to be filtered down to provinces. Staff should also receive training in these guidelines as it is not sufficient simply to issue these without guidance for implementation.

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APPENDICES

Appendix A: Questionnaire

CRITERIA	RESPONSES
1. Management Arrangements	
What posts have been approved in the finance section and are all the posts in the finance component filled? If not what is the current vacancy rate?	
What are the qualifications of the all staff appointed in the finance component?	
Was there was a large turnover of staff in the finance component and at management level during the last five years? If so, what were some of the reasons behind this?	
Is the finance component aligned to support the CFO and the implementation of the PFMA and how?	
Is there a permanent Chief Financial Officer (CFO) appointed in the Department and if so what are the	

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qualifications of the CFO?	
Does the Department have a permanently appointed Accounting Officer and when was the Accounting Officer was appointed?	
How was the responsibility of accounting officer delegated prior to a permanent accounting officer being appointed e.g. was someone acting or was it on a rotational basis.	
Are written financial delegations in place in the Department as required by the PFMA?	
2. Planning and budgeting	
How does the Department do it's planning? Has the department tabled strategic plans in parliament/the legislature on time since the 2001/02 financial year? If not what are the reasons for not tabling on time?	
Revenue and expenditure management	
Is over/under spending monitored on a regular basis and reported to the relevant authorities including the	

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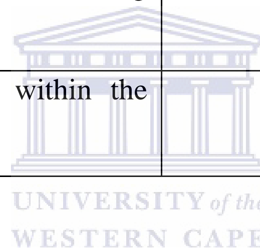
executive authorities as required by the PFMA? How is this reported and to whom?	
Asset and liability management	
Has the department established a comprehensive asset register for departmental assets?	
Are effective processes in place to collect outstanding debt?	
Are all payments due to creditors settled within the prescribed period?	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Appendix B: National Health budget

Programme R thousand	Audited outcome 2003/04	Audited outcome 2004/05	Audited outcome 2005/06	Adjusted appropriation 2006/07	Revised estimate 2006/07	Medium-term expenditure estimate 2007/08	Medium-term expenditure estimate 2008/09	Medium-term expenditure estimate 2009/10
1. Administration	117 434	145 764	160 953	187 993	169 660	205 467	206 914	218 210
2. Strategic Health Programmes	1 049 023	1 472 844	1 999 706	2 841 992	2 770 659	3 216 723	3 461 165	3 896 242
3. Health Service Delivery	6 510 950	6 798 519	7 744 401	8 358 905	8 351 221	9 160 592	10 197 827	11 004 350
4. Human Resources	58 148	37 734	32 024	65 103	65 103	72 350	77 857	80 628
Total	**7 735 555**	**8 454 861**	**9 937 084**	**11 453 993**	**11 356 643**	**12 655 132**	**13 943 763**	**15 199 430**
Change to 2006 Budget estimate				183 997	86 647	640 000	1 241 000	
Economic classification								
Current payments	**607 427**	**633 190**	**600 349**	**778 896**	**690 896**	**860 193**	**907 778**	**947 422**
Compensation of employees	177 743	190 808	209 138	240 030	230 030	251 826	265 777	280 982
Goods and services	426 576	442 290	390 433	538 866	460 866	608 367	642 001	666 440
of which:								
Communication	*16 413*	*14 116*	*15 880*	*14 088*	*14 088*	*15 617*	*16 600*	*17 350*
Computer services	*14 141*	*10 750*	*13 816*	*16 403*	*16 403*	*13 094*	*13 505*	*13 905*
Consultants, contractors and special services	*73 328*	*38 897*	*26 540*	*34 935*	*22 935*	*35 257*	*37 701*	*39 232*
Inventory	*89 992*	*166 169*	*85 659*	*170 924*	*132 924*	*196 207*	*202 537*	*208 613*
Maintenance, repairs and running costs	*1 563*	*1 686*	*4 070*	*2 619*	*2 619*	*2 852*	*3 005*	*3 111*
Operating leases	*21 945*	*25 290*	*28 635*	*41 712*	*41 712*	*34 297*	*36 871*	*40 231*
Travel and subsistence	*49 484*	*77 388*	*62 906*	*83 122*	*68 122*	*86 597*	*91 156*	*94 780*
Accommodation charges	*1 986*	*2 497*	*2 646*	*3 243*	*3 243*	*3 801*	*4 061*	*5 011*
Municipal services	*3 470*	*3 643*	*3 932*	*4 607*	*4 607*	*5 000*	*5 314*	*5 846*
Financial transactions in assets and liabilities	3 108	92	778	–	–	–	–	–
Transfers and subsidies	**7 107 816**	**7 795 277**	**9 307 632**	**10 631 194**	**10 631 194**	**11 760 745**	**13 010 554**	**14 225 288**
Provinces and municipalities	6 783 766	7 444 080	8 907 992	10 206 719	10 206 719	11 320 982	12 543 229	13 725 822
Departmental agencies and accounts	222 649	253 104	249 854	295 460	295 460	289 476	300 550	315 605
Universities and technikons	–	–	4 000	1 250	1 250	1 000	1 000	1 000
Foreign governments and international organisations	–	–	1 000	1 000	1 000	–	–	–
Non-profit institutions	94 901	95 319	143 417	126 303	126 303	149 287	165 775	182 861
Households	6 500	2 774	1 369	462	462	–	–	–
Payments for capital assets	**20 312**	**26 394**	**29 103**	**43 903**	**34 553**	**34 194**	**25 431**	**26 720**
Buildings and other fixed structures	72	7 719	6 193	5 000	–	–	–	–
Machinery and equipment	16 114	18 525	13 770	33 029	28 679	34 194	25 431	26 720
Software and other intangible assets	4 126	150	9 140	5 874	5 874	–	–	–
Total	**7 735 555**	**8 454 861**	**9 937 084**	**11 453 993**	**11 356 643**	**12 655 132**	**13 943 763**	**15 199 430**

Source: National Treasury, 2007a:

Appendix C: Provincial Health budgets

R million	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
		Outcome		Preliminary outcome		Medium-term estimates	
Eastern Cape	5 101	5 192	6 137	7 257	8 143	8 953	9 356
Free State	2 509	2 801	3 130	3 461	3 643	4 061	4 547
Gauteng	8 139	8 587	9 990	11 115	12 052	12 762	14 219
KwaZulu-Natal	8 060	8 970	10 582	11 664	13 413	14 364	15 780
Limpopo	3 632	4 174	4 796	5 832	6 096	6 914	7 716
Mpumalanga	1 958	2 258	2 672	3 013	3 595	4 132	4 662
Northern Cape	820	840	1 101	1 407	1 460	1 641	1 851
North West	2 211	2 597	2 974	3 479	3 755	4 170	4 639
Western Cape	4 557	5 179	5 733	6 420	7 095	7 942	8 412
Total	**36 987**	**40 599**	**47 116**	**53 648**	**59 252**	**64 939**	**71 182**

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R million	2003/04	2004/05 Outcome	2005/06	2006/07 Preliminary outcome	2007/08	2008/09 Medium-term estimates	2009/10
Current payments	32 208	35 505	40 456	46 703	51 590	56 809	62 237
of which:							
Compensation of employees	*20 983*	*23 398*	*25 481*	*28 740*	*32 876*	*35 795*	*39 091*
Goods and services	*11 173*	*12 088*	*14 954*	*17 952*	*18 714*	*21 014*	*23 147*
Other current payments	52	19	21	11	–	–	-
Transfers and subsidies	2 351	2 400	2 815	2 260	2 165	2 159	2 282
Payments for capital assets	2 428	2 693	3 844	4 685	5 496	5 971	6 662
Total	**36 987**	**40 599**	**47 116**	**53 648**	**59 252**	**64 939**	**71 182**

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Appendix D: Contact details of Health Departments

National Department of Health
Private Bag X828
Pretoria, 0001
Tel: 012 - 312 0000
Fax: 012 - 326 4395
Website: www.doh.gov.za

Eastern Cape Department of Health
Private Bag X0038,
Bhisho, 5605,
Pretoria, 0001
Tel: 012 - 312 0000
Fax: 012 - 326 4395
Website: http://www.ecdoh.gov.za

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Free State Department of Health
P. O. Box 262
Bleomfontein, 9300
Tel: 051 – 408 1080
Fax: 051 – 408 1566
Website: http://www.fs.gov.za

Gauteng Department of Health
Private Bag X085
Marshalltown, 2107
Tel: 011 355 - 3505
Fax: 011 838 - 3613
Website: http://www.health.gpg.gov.za

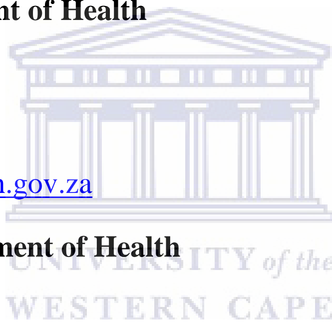
KwaZulu-Natal Department of Health
Private Bag X9051
Pietermaritzburg, 3200
Tel: (033) 395 2111
Website: www.kznhealth.gov.za

Limpopo Department of Health
Private Bag X9302
Polokwane, 0700
Tel: (015) 293 6000
Fax: (015) 293 6211
Website: http://www.limpopo.gov.za/prov_dept/health_socialdev/

Mpumalanga Department of Health
Private Bag X11285
Nelspruit, 1200
Tel: 013 – 766 3429/30
Fax: 013 – 766 3458
Website: http://www.mpumalanga.gov.za/healthsocserv/about/contact.htm

Northern Cape Department of Health
Private Bag X5049
Kimberley, 8301
Tel: 053 – 830 2100
Fax: 053 – 833 4394
Website: http://www.northern-cape.gov.za/index.asp?inc=departments/health/main.html

North West Department of Health
Private Bag X2068
Mmabatho, 2735
Tel: 018 – 387 6747
Fax: 018 - 384 7960
Website: www.nwhealth.gov.za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Western Cape Department of Health
P. O. Box 2060
Cape Town, 8000
Tel: 021 - 483 3235
Fax: 021 - 483 6169
Website: http://www.capegateway.gov.za/eng/yourgovernment/gsc/305