

Section 3

National Department of Health Financial Report

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ANNUAL FINANCIAL STATEMENTS FOR NATIONAL DEPARTMENT OF HEALTH - VOTE 16 for the Year ended March 2005

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NATIONAL DEPARTMENT OF HEALTH MANAGEMENT REPORT FOR THE YEAR ENDED 31 MARCH 2005

Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa

1. General review of state of financial affairs

The National Department of Health manages its health strategies and operations through the activities of its three (3) programmes. Continuous review of health policies is aimed at ensuring a better health for all people in South Africa through a caring and effective national health system based on the primary health care approach. The Department is assessing its information systems and on a continuous basis improving it to ensure that reporting is done in a transparency and accountable manner.

Budget

The budget amounts to R8 818 400 000 of which R130 737 000 is allocated to Programme 1: Administration, R1 670 768 000 to Programme 2: Strategic Health Programmes and R7 016 895 000 to Programme 3: Health Service Delivery.

The actual expenditure is R8 387 239 000 which represent a 95,1% expenditure of the budget allocated.

Programme structure

Programme 1: Administration

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

Expenditure for Administration totalled R122 894 000 (2003/04: R93 119 000). The increase in expenditure can be mainly ascribed to the renovation of the MBOD building as well as the strengthening of the senior management team of the Department .

Programme 2: Strategic Health Programmes

Strategic Health Programmes co-ordinates a range of

strategic national health programmes by developing policies, systems, management, funding and monitoring for key programmes. Activities include: co-ordinating the district health system; liaising with the international health community and co-ordinating health services in the SADC region; co-ordinating the national health information system and research prioritisation; and developing norms and standards. Programmes include maternal, child and youth health, and mental health; administering the national HIV and Aids/STIs and TB programmes; and regulating the procurement of pharmaceutical supplies to ensure that essential drugs are affordable and available.

Expenditure for Strategic Health Programmes totalled R1 526 606 000 (2003/04: R1 813 849 000). The decrease in expenditure can be mainly ascribed to the transferring of the Primary School Nutrition Programme to the Department of Education.

The SADC directorate has been merged with the International Health Liaison subprogramme. In 2003/04 it contained a once-off R5,0 million expenditure to fund a regional conference of the World Health Organisation. The Health Monitoring and Evaluation subprogramme includes funding for the Medical Research Council. A large once-off expenditure in 2003/04 of R14,0 million was for the Demographic and Health Survey. The Pharmaceutical Policy and Planning subprogramme grew strongly over the period, with the establishment and strengthening of the Licensing and Pricing Committee functions. Funding for the Medical Schemes Council grew slowly since it is now largely funded through its own revenue sources.

Programme 3: Health Service Delivery

Health Service Delivery supports the delivery of health services, primarily in the provincial and local spheres of government, partly through the control and transfer of large conditional grants.

Core functions include: aspects of disease prevention and control; developing and implementing policies and norms and standards for hospital services and for human resources for the health sector; ensuring a sound framework for environmental health; and supporting labour relations and industrial bargaining for the sector.

Expenditure for Health Service Delivery totalled R7 016 895 000 (2003/04: R64 776 915 000). Health

NATIONAL DEPARTMENT OF HEALTH MANAGEMENT REPORT FOR THE YEAR ENDED 31 MARCH 2005

Service Delivery grew moderately in real terms in 2004/05 and over the medium term. The main growth is related to the transfer of medico-legal services (to support the function shift of forensic mortuaries from the Department of Safety and Security to the Department of Health) and in the Hospital Revitalisation programme. The latter sees rapid growth over the medium term, to exceed R1,0 billion per year by 2005/06, to substantially improve the national hospital stock.

The Disease Prevention and Control subprogramme contained a large once-off transfer of R147,0 million for cholera expenditure in 2002/03. Other increases in this subprogramme are to assist in clearing backlogs in assistive devices, such as wheelchairs, with R13,0 million each in 2003/04 and 2004/05 being allocated to this. This subprogramme also contains a small part of the funding of the National Health Laboratory Service, which became a public entity in the 2002/03 financial year and is thus shown as a transfer payment from that time onwards. Funding for the Lubombo malaria initiative (at R5,0 million per year), and for equipment renewal in the forensic chemistry laboratories (at R8,0 million in 2004/05 and R8,0 million in 2005/06), approved in the 2003 budget, is contained in this subprogramme.

The Hospital Services subprogramme is dominated by the large conditional grants to provinces. These have been reconfigured with the introduction of the new National Tertiary Services Grant and Health Professions Training and Development Grant in 2002/03. The Health Professions Training and Development Grant is retained at a constant level in the outer year of the MTEF, given that it will be extensively reviewed and reformed over the next one to two years.

The Non-Personal Health Services subprogramme contains the relatively small Compensation Fund for ex-miners and funds for health promotion, environmental health and the Medical Bureau for Occupational Diseases.

2. Services rendered by the Department

The National Department of Health is making policies to regulate the public health sector in order to ensure that South Africa does have a health service meeting international requirements and standards. The Department is however rendering a laboratory service to the public through its forensic laboratory. The Radiation Control Unit is responsible for inspections of radiation equipment ensuring that the industry complies with norms and standards. During 2004/05 it became a requirement for dispensing facilities to apply for a license on the dispensing of medicine. The financial implication attached to the issuing of a license has resulted in an increase-collected revenue.

The tariffs used by the Department in rendering a service are described by the governing set of legislation.

No free services are being rendered by the National Department of Health.

As a result of the core function of the Department, attempts are being made to reduce the amount of stock carried at year-end. For the year under review the stock at hand as at 31 March 2005 totals to R1 281 810,58, which mainly consist of promotional and education material.

3. Capacity constraints

The National Department is faced with a shortage of skills in the health field in the labour market. This is impacting on policy development as well as the monitoring of health programmes implemented at provincial level. In order to circumvent the problem, health professionals are being employed on a 3-year contract and the scarce skills allowance is also used to attract health professionals. A National Human Resource Plan was developed and its main focus is to ensure that adequate human resources are available to deliver on the mandate of the constitution of the Republic of South Africa and the National Health Act. The funding to fully implement the Human Resource Plan is addressed in the 2006 MTEF submission.

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

4. Utilisation of donor funds

The Department of Health is privileged to have partners from donor organisations. Foreign aid assistance received in cash during the year amounted to R111 772 000 for various projects. These funds have been deposited in the RDP Fund and are drawn by the Department to implement the projects. The expenditure amounted to R102 922 000. Donor funds are mainly sourced to areas where both the Health Department and the Donor agreed as an area of priority. Funds are being received from European Union for the Public Health Sector Support Programme, Belgium for TB and HIV and STI prevention, Global Fund for TB and AIDS and Malaria prevention, CDC for HIV and AIDS activities and Flemish for assistive devices.

5. Public entities

Medical Research Council

The Medical Research Council (MRC) undertakes scientific research on clinical and health systems issues. Core funding is through the Department of Health with the allocations from government being determined as part of the overall Science vote under control of the Minister of Arts, Culture, Science and Technology, advised by the National Council for Innovation. Funding for the MRC was R 167,9 million in 2004/05, and total revenue is anticipated to be R304,1 million, demonstrating the council's success in attracting research funding from other sources. There is close co-operation with the Department of Health in setting research priorities. A critical task is research into a vaccine against the strain of HIV that affects sub-Saharan Africa.

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National Health Laboratory Services

The National Health Laboratory Service Act (37 of 2000) came into operation in May 2001. The entity is now fully operational as the legislated preferred provider of laboratory services to public health facilities. The National Health Laboratory Service's major source of funding will be the sale of analytical laboratory services to users such as provincial departments of health, but it continues to receive a transfer from the national department, which amounted to R 73,2 million in 2004/05.

Medical Schemes Council

The Medical Schemes Council regulates the private medical scheme industry in terms of the Medical Schemes Act (131 of 1998), and is funded mainly through levies on the industry in terms of the Council for Medical Schemes Levies Act (58 of 2000). In addition, it receives a small transfer from the department, increasing from R2,7 million in 2003/04 to R2,8 million in 2004/05.

Trading Entity

Mines and Works Compensation Fund

The Compensation Commissioner for Occupational Diseases is responsible for the payment of benefits to miners and ex-miners who have been certified to be suffering from lung-related diseases because of working conditions. The Mines and Works Compensation Fund derives funding from levies (Mine Account, Works Account, Research Account, State Account) collected from controlled mines and works, as well as appropriations from Parliament. Payments to beneficiaries are made in terms of the Occupational Diseases in Mines and Works Act (78 of 1973).

6. Transfer payments

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

Conditional Grants

These grants transfer the major conditional grants to provinces to fund specific functions. These are as follows –

Conditional Grants	Amount
National Tertiary Services Grant	R 4,273,005,000
Health Professions Training & Development Grant -	R 1,434,132,000
Hospital Revitalisation	R 733,802,000
Comprehensive HIV and AIDS Plan	R735,381,000
Integrated Nutrition Programme-	
(The bulk of this function has been moved to the Education Department and only a small portion remains with Health)	R 107,138,000
Hospital Management & Quality Improvement	R 122,200,000

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

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

Monitoring process – the performance of provinces were monitored by the National Department of Health in terms of the reports submitted by provinces. In support of the monitoring process described above officials from the National Department of Health also paid site visits to recipient provinces to verify progress.

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

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

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

Public Entities

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

Non-Governmental Organisations (NGOs)

The NGOs range from national NGO's who are active in the field of health and cover diverse institutions from LoveLife to Soul City to a range of smaller NGOs who are active in the field of HIV and AIDS. More details of the institutes funded can be found in annexure 1H of the Annual Financial Statements.

7. Public Private Partnership

The contracts to enter into the PPP were signed on 30 May 2003 and the contracts were valid from 1 April 2003. In terms of the contracts the National Department of Health holds 40% of the shares in BioVac Institute Pty. Ltd. (BioVac). In exchange for the 40% share the National Department of Health transferred the staff and assets of the Directorate, which housed the State Vaccine to the BioVac. The Department foresees no significant future cash flows to the PPP entity. The National Department of Health has not business relations with BioVac, however as part of the PPP contracts, BioVac has the right to supply Provincial Health

NATIONAL DEPARTMENT OF HEALTH MANAGEMENT REPORT FOR THE YEAR ENDED 31 MARCH 2005

Departments with EPI vaccines from 2004 to 2007 (4 years) at competitive prices. There were no changes to the structure and fund of the PPP during the period under review.

8. Corporate Governance Arrangements

The National Department of Health has a fully functional Audit Committee, which is meeting at least four (4) times a year. A Risk Management Committee has been established and an audit firm has been assisting the Department in compiling a risk profile. The Internal Audit Unit is operating in terms of the approved audit plan and reports its progress on a continuous basis to the Chairperson of the Audit Committee and the Accounting Officer.

Controls have been introduced to address the shortcomings identified by the Auditor-General on asset management. An asset bar coding system has been procured and is utilised to generate information to update the asset register.

Planned activities for 2005/06 period are as follows:

- Implementation of the Supply Chain Management policy, which is aligned with the relevant legislation;
- Review internal policies and delegated powers;
- Review system descriptions and updating financial manuals;
- Reviewing the fraud prevention plan;
- Implementing Risk Management Strategy.

Events after the reporting period

Commitments towards suppliers' amounts to R15 487 000 for those contracts concluded. For contracts approved but not finalised by year-end the amount is R10 585 000. Confirmed inter entity transactions amounts to R1 185 000.

Request for roll-over funds was submitted to National Treasury to secure funds to avoid the expenditure to impact on the 2005/06 budget allocation.

Acknowledgments

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

9. Approval

The Annual Financial Statements set out on pages 81 to 129 have been approved by the Accounting Officer.



MR T D MSELEKU
Director-General: Health
28 July 2005

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF (VOTE 16) – NATIONAL DEPARTMENT OF HEALTH FOR THE YEAR ENDED 31 MARCH 2005

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 81 to 129, for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

I believe that the audit provides a reasonable basis for my opinion.

3. QUALIFICATION

Division of Revenue Act, 2004 (Act No. 5 of 2004) (DoRA)

The department effected transfer payments of R7,4 billion to benefiting provincial departments which constitutes 87.4% of the department's expenditure.

During the year under review, I conducted an audit of the HIV/AIDS and Hospital Revitalisation Grants which amounts to R1,7 billion of the above expenditure.

Due to capacity constraints in the department, the following material areas of non-compliance with certain provisions of the DoRA were noted during the audit:

- The DoRA Framework with reference to the hospital revitalisation grant requires that the transfer of the

first installment for the year is subject to prior approval of the project implementation plans. Evidence could not be provided that the implementation plans were approved or used to monitor the expenditure during the year.

- The DoRA Framework with reference to the HIV/AIDS grant requires that all business plans be approved by 1 April 2004. Two of the nine business plans were not received by the national department by the due dates stipulated in the DoRA.
- Although transfers had been withheld during the year, it is evident that in-year-monitoring of grant expenditure is not effective and consistently performed to enable the department to identify non-compliance with the DoRA and the DoRA Framework. This was evident in the late submission of monthly reports and incomplete information on the reports.
- The Department did not provide guidelines on reporting to ensure effective financial and operational monitoring as required by DORA.
- The confirmation of expenditure received from the Kwa-Zulu-Natal province reflected R78 million whilst the amount in annexure 1B is R nil. This is due to lack of reconciliations and ineffective monitoring by the department.

The accounting officer is required to investigate the reasons for the non-compliance so that appropriate action can be taken to condone this expenditure.

4. QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matters referred to in paragraph 3, the financial statements fairly present, in all material respects, the financial position of the department at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with prescribed accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

5. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

5.1 Audit Committee

An audit committee function with suitably qualified members has been established but is not functioning effectively as envisaged by section 76(4)(d) and section 77 of the PFMA, as well as Treasury Regulation 3.1.

Meetings, without a quorum, were held for the year under review as members were unavailable to attend the meetings. In addition the review of the internal controls of

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF (VOTE 16) – NATIONAL DEPARTMENT OF HEALTH FOR THE YEAR ENDED 31 MARCH 2005

the department, the evaluation of the financial statements as well the quality of the in year management and monthly/quarterly reports submitted in terms of DoRA were not evaluated by the committee.

At the date of compiling this report, the audit committee report as required by section 3.1.13 of the Treasury Regulation is not available.

5.2 Inadequate control over the safeguarding of fixed assets

In terms of section 38 (1)(d) of the PFMA and Treasury Regulation 10 the accounting officer is responsible for the management including the safeguarding of assets of the department.

Due to a lack of independent reconciliations and checks:

- fixed assets are not adequately safeguarded and the movement of assets not controlled,
- the asset register does not include all the assets of the department, and
- the location of assets are not accurately recorded on the asset register.

5.3 SCOPA resolutions

The information on SCOPA resolutions has not been reported in the management report as required by the preparation guide and specimen financial statements issued by National Treasury. The following recommendations by SCOPA as per the 11th report of 2001 were not resolved.

Audit Committee

As reported in paragraph 5.1, the audit committee has not effectively fulfilled their responsibilities.

Fixed Assets

As reported in paragraph 5.2 weaknesses in the safeguarding of assets remain.

6. APPRECIATION

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



**Auditor-General
Pretoria
31 July 2005**



NATIONAL DEPARTMENT OF HEALTH VOTE 16

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2005

The Annual Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Annual Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act and the Division of Revenue Act, Act 5 of 2004. The following issued, but not yet effective Standards of Generally Recognised Accounting Practice have not been fully complied with in the Annual Financial Statements: GRAP 1, 2 and 3.

1. Basis of preparation

The Annual Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid. Under the accrual basis of accounting transactions and other events are recognised when incurred and not when cash is received or paid.

2. Revenue

Appropriated funds

Voted funds are the amounts appropriated to a department in accordance with the final budget known as the Adjusted Estimates of National/Provincial Expenditure. Unexpended voted funds are surrendered to the National/Provincial Revenue Fund, unless otherwise stated.

Departmental revenue

Tax revenue

A tax receipt is defined as compulsory, irrecoverable revenue collected by entities. Tax receipts are recognised as revenue in the statement of financial performance on receipt of the funds.

Sale of goods and services other than capital assets

This comprises the proceeds from the sale of goods and/or services produced by the entity. Revenue is recognised in the statement of financial performance on receipt of the funds.

Fines, penalties and forfeits

Fines, penalties and forfeits are compulsory receipts imposed by court or quasi-judicial body. Revenue is recognised in the statement of financial performance on receipt of the funds.

Interest, dividends and rent on land

Interest and dividends received are recognised upon receipt of the funds, and no provision is made for interest or dividends receivable from the last receipt date to the end of the reporting period. They are recognised as revenue in the Statement of Financial Performance of the department and then transferred to the National/Provincial Revenue Fund.

Revenue received from the rent of land is recognised in the statement of financial performance on receipt of the funds.

Sale of capital assets

The proceeds from the sale of capital assets is recognised as revenue in the statement of financial performance on receipt of the funds.

Financial transactions in assets and liabilities

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

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

Local and foreign aid assistance

Local and foreign aid assistance is recognised in the statement of financial performance on receipt of funds. Where amounts are expensed before funds are received, a receivable is raised. Where amounts have been inappropriately expensed using Local and Foreign aid assistance, a payable is raised. In the situation where the department is allowed to retain surplus funds, these funds are shown as a reserve.

3. Expenditure

Compensation of employees

Salaries and wages comprise payments to employees. Salaries and wages are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system. The expenditure is classified as capital where the employees were involved, on a full time basis, on capital projects during the financial year. All other payments are classified as current expense.

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STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2005

Social contributions include the entities' contribution to social insurance schemes paid on behalf of the employee. Social contributions are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system.

Short-term employee benefits

The cost of short-term employee benefits is expensed in the Statement of Financial Performance in the reporting period when the final authorisation for payment is effected on the system. Short-term employee benefits, that give rise to a present legal or constructive obligation are disclosed as a disclosure note to the Annual Financial Statements and are not recognised in the Statement of Financial Performance.

Long-term employee benefits and other post employment benefits

Termination benefits

Termination benefits are recognised and expensed only when the final authorisation for payment is effected on the system.

Medical benefits

The department provides medical benefits for its employees through defined benefit plans. Employer contributions to the fund are incurred when the final authorisation for payment is effected on the system. No provision is made for medical benefits in the Annual Financial Statements of the department.

Post employment retirement benefits

The department provides retirement benefits for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when the final authorisation for payment to the fund is effected on the system. No provision is made for retirement benefits in the Annual Financial Statements of the department. Any potential liabilities are disclosed in the Annual Financial Statements of the National/Provincial Revenue Fund and not in the Annual Financial Statements of the employer department.

Other employee benefits

Obligations arising from leave entitlement, thirteenth cheque and performance bonus that are reflected in the disclosure notes have not been paid for at year-end.

Goods and services

Payments made for goods and/or services are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system. The expense is classified as capital if the goods

and services was used on a capital project.

Interest and rent on land

Interest and rental payments resulting from the use of land, are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system. This item excludes rental on the use of buildings or other fixed structures.

Financial transactions in assets and liabilities

Financial transactions in assets and liabilities include bad debts written off. Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or under-spending available to the department. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts.

Unauthorised 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.

Such expenditure is treated as a current asset in the Statement of Financial Position until such expenditure is approved by the relevant authority, recovered or written off as irrecoverable.

Irregular expenditure

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

- the Public Finance Management Act
- the State Tender Board Act, or any regulations made in terms of this act, or
- any provincial legislation providing for procurement procedures in that provincial government.

It is treated as expenditure in the Statement of Financial Performance. If such expenditure is not condoned and it is possibly recoverable it is disclosed as receivable in the Statement of Financial Position at year-end.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure, is defined as expenditure that was made in vain and would have been avoided had reasonable care been exercised, therefore it must be recovered from a responsible official (a debtor account should be raised), or the vote (If responsibility cannot be determined).

NATIONAL DEPARTMENT OF HEALTH VOTE 16 STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2005

Such expenditure is treated as a current asset in the Statement of Financial Position until such expenditure is recovered from the responsible official or written off as irrecoverable.

4. Transfers and subsidies

Transfers and subsidies include all irrecoverable payments made by the entity. Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system.

5. Expenditure for capital assets

Capital assets are assets that can be used repeatedly and continuously in production for more than one year. Payments made for capital assets are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system.

6. Investments

Investments include; Investments in Associates; Joint ventures; Investments in controlled entities and Other investments.

Investments are shown at cost. On disposal of an investment, the surplus/(deficit) is recognised as revenue in the Statement of Financial Performance.

7. Receivables

Receivables are not normally recognised under the modified cash basis of accounting. However, receivables included in the Statement of Financial Position arise from cash payments that are recoverable from another party, when the payments are made.

Receivables for services delivered are not recognised in the Statement of Financial Position as a current asset or as income in the Statement of Financial Performance, as the Annual Financial Statements are prepared on a modified cash basis of accounting, but are disclosed separately as part of the disclosure notes to enhance the usefulness of the Annual Financial Statements.

8. Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and balances with banks, short term investments in money market instruments and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Payables

Payables are not normally recognised under the modified cash basis of accounting. However, payables included in the Statement of Financial Position arise from advances received that are due to the Provincial/National Revenue Fund or another party.

10. Lease commitments

Lease commitments for the period remaining from the reporting date until the end of the lease contract are disclosed as part of the disclosure notes to the Annual Financial Statements. These commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on the cash basis of accounting.

Operating lease expenditure is expensed when the payment is made.

Finance lease expenditure is expensed when the payment is made, but results in the acquisition of the asset under the lease agreement. A finance lease is not allowed in terms of the Public Finance Management Act.

11. Accruals

This amount represents goods/services that have been received, but no invoice has been received from the supplier at the reporting date, OR an invoice has been received but final authorisation for payment has not been effected on the system. These amounts are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on a modified cash basis of accounting, but are however disclosed as part of the disclosure notes.

12. Contingent liability

This is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the department; or

a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability

Contingent liabilities are not recognised in the Statement of Financial position, but the information is disclosed as part of the disclosure notes.

NATIONAL DEPARTMENT OF HEALTH VOTE 16 STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2005

13. Commitments

This amount represents goods/services that have been approved and/or contracted, but no delivery has taken place at the reporting date. These amounts are not recognised in the Statement of financial position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on a modified cash basis of accounting, but are however disclosed as part of the disclosure notes.

14. Capitalisation reserve

The capitalisation reserve represents an amount equal to the value of the investment and/or loans capitalised. On disposal, repayment or recovery, such amounts are transferred to the Revenue Fund.

15. Recoverable revenue

Recoverable revenue represents payments made and

recognised in the Statement of Financial Performance as an expense in previous years due to non-performance in accordance with an agreement, which have now become recoverable from a debtor. Repayments are transferred to the Revenue Fund as and when the repayment is received.

16. Comparative figures

Where necessary, comparative figures have been restated to conform to the changes in the presentation in the current year. The comparative figures shown in these Annual Financial Statements are limited to the figures shown in the previous year's audited Annual Financial Statements and such other comparative figures that the department may reasonably have available for reporting. Reclassification of expenditure has occurred due to the implementation of the Standard Chart of Accounts. It is not practical to present comparative amounts in the Cash Flow Statements, as this would involve reclassification of amounts dating back to the 2002/03 year-end.

**NATIONAL DEPARTMENT OF HEALTH - VOTE 16
APPROPRIATION STATEMENT
FOR THE YEAR ENDED 31 MARCH 2005**

APPROPRIATION PER PROGRAMME

		2004/05						2003/04	
Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure	
R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	
1 Administration									
Current payment	-	-	115,631	111,474	4,157	96,4	102,984	88,224	
Transfers and subsidies	-	-	191	518	-327	271,2	180	489	
Expenditure for capital assets	-	-	14,915	10,902	4,013	73,1	3,835	4,406	
2 Strategic Health Programmes									
Current payment	-	-13,500	467,947	391,320	76,627	83,6	444,731	382,780	
Transfers and subsidies	-	13,500	1,195,349	1,130,687	64,662	94,6	1,454,848	1,430,043	
Expenditure for capital assets	-	-	7,472	4,599	2,873	61,5	2,491	1,026	
3 Health Service Delivery									
Current payment	-	-	124,491	100,644	23,847	80,8	117,547	107,908	
Transfers and subsidies	-	-	6,876,560	6,626,201	250,359	96,4	6,416,610	6,354,127	
Expenditure for capital assets	-	-	15,844	10,894	4,950	68,8	13,469	14,880	
Subtotal	-	-	8,818,400	8,387,239	431,161	95,1	8,556,695	8,383,883	
Total	-	-	8,818,400	8,387,239	431,161	95,1	8,556,695	8,383,883	
Reconciliation with Statement of Financial Performance									
Prior year unauthorised expenditure approved with funding			10,468				-		
Departmental receipts			18,114				4,173		
Local and foreign aid assistance			111,772				128,273		
Actual amounts per Statement of Financial Performance (Total Revenue)			8,958,754				8,689,141		
Local and foreign aid assistance				132,904				72,788	
Prior year unauthorised expenditure approved				10,468					
Actual amounts per Statement of Financial Performance Expenditure				8,530,611				8,456,671	

NATIONAL DEPARTMENT OF HEALTH - VOTE 16
APPROPRIATION STATEMENT
FOR THE YEAR ENDED 31 MARCH 2005

APPROPRIATION PER ECONOMIC CLASSIFICATION

	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
Current payments									
Compensation of employees	190,830	-	-	190,830	190,808	22	100.0%	190,401	177,743
Goods and services	530,537	-	-13,500	517,037	412,539	104,498	79.8%	474,861	398,059
Financial transactions in assets and liabilities	-	-	-	-	92	-92	-	-	3,108
Transfers & subsidies									
Provinces & municipalities	7,655,272	-	-	7,655,272	7,405,658	249,614	96.7%	7,457,557	7,457,920
Departmental agencies & accounts	240,404	-	17,500	257,904	253,651	4,253	98.4%	292,084	228,279
Non-profit institutions	45,136	-	-	45,136	43,749	1,387	96.9%	58,487	41,937
Households	117,788	-	-4,000	113,788	54,291	59,497	47.7%	63,510	56,073
Gifts and donations	-	-	-	-	57	-57	-	-	452
Payment on capital assets									
Buildings & other fixed structures	9,600	-	-	9,600	7,719	1,881	80.4%	-	-
Machinery & equipment	19,050	-	-	19,050	18,525	525	97.2%	19,795	20,312
Software & other intangible assets	9,783	-	-	9,783	150	9,633	1.5%	-	-
Total	8,818,400	-	-	8,818,400	8,387,239	431,161	95.1%	8,556,695	8,383,883

**NATIONAL DEPARTMENT OF HEALTH - VOTE 16
APPROPRIATION STATEMENT
FOR THE YEAR ENDED 31 MARCH 2005**

DETAIL PER PROGRAMME 1 - ADMINISTRATION

Programme per Subprogramme	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
1.1 Minister									
Current payment	791	-	-	791	791	-	100.0%	746	746
1.2 Deputy Minister									
Current payment	643	-	-	643	593	50	92.2%	607	644
1.3 Management									
Current payment	12,767	-	-	12,767	9,904	2,863	77.6%	8,454	6,765
Transfers and subsidies	-	-	-	-	32	-32	-	50	201
Expenditure for capital assets	154	-	-	154	236	-82	153.2%	224	35
1.4 Corporate Services									
Current payment	101,430	-	-	101,430	100,186	1,244	98.8%	93,177	80,069
Transfers and subsidies	191	-	-	191	486	-295	254.5%	130	288
Expenditure for capital assets	14,761	-	-	14,761	10,666	4,095	72.3%	3,611	4,371
Total	130,737	-	-	130,737	122,894	7,843	94.0%	106,999	93,119