OHSC

Office of Health Standards Compliance

Ensuring quality and safety in health care

ANNUAL REPORT 2017/18

THE OHSC: A BRIEF OVERVIEW

The Office of Health Standards Compliance (OHSC) is a listed Schedule 3A public entity in terms of the Public Finance Management Act (PFMA).

The overall purpose of the OHSC as an independent entity is to protect and promote the health and safety of users of health services.

In brief, the OHSC is mandated to amongst others:

- Advise the Minister of Health on the determination of standards and norms to be prescribed for the National Health System;
- Inspect and certify health establishments (HEs) as compliant or non-compliant with prescribed norms and standards;
- Investigate complaints relating to breaches of prescribed norms and standards; and
- Publish any information relating to prescribed norms and standards.

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PART A
GENERAL INFORMATION

GENERAL INFORMATION

Registered Name:	**Office of Health Standards Compliance**
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External Auditor:	Auditor-General of South Africa (AGSA)
Bankers:	Standard Bank
Board Secretary:	Advocate Motatetsi Mantsho

LIST OF ACRONYMS

AGSA	Auditor General of South Africa
ARFC	Audit, Risk and Finance Committee
B-BBEE	Broad-Based Black Economic Empowerment
CEC	Certification and Enforcement Committee
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHC	Community Health Centre
CSEHP	Community Service Environmental Health Practitioners
DoH	Department of Health
DHIS	District Health Information System
HE	Health Establishment
HPCSA	Health Professions Council of South Africa
HRREMCO	Human Resources and Remuneration Committee
MEC	Member of Executive Council
MOU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
NCOP	National Council of Provinces
NCS	National Core Standards
NHA	National Health Act, 2003 (Act No. 61 of 2003)
NHC	National Health Council
NHI	National Health Insurance
NDP	National Development Plan
NPQ	National Policy on Quality in Healthcare
OHSC	Office of Health Standards Compliance
PAIA	Promotion of Access to Information Act, 2000 (Act No. 2 of 2000)
PFMA	Public Finance Management Act, 1999 (Act No.1 of 1999)
PoPI	Protection of Personal Information Act, 2013 (Act No. 4 of 2013)
SANC	South African Nursing Council
SCM	Supply Chain Management
SMME	Small Medium and Micro Enterprises
SOP	Standard Operating Procedures
TR	Treasury Regulations
NDoH	National Department of Health
EWS	Early Warning System

FOREWORD BY THE ACTING CHAIRPERSON

FROM THE CHAIR

In the past financial year, the Office of Health Standards Compliance (OHSC) continued to fulfil its legal mandate of promoting and protecting the health and safety of the users of health establishments (HEs). On the 2nd February 2018, the Minister of Health promulgated the norms and standards regulations applicable to different categories of HEs, which will further strengthen the mandate of the OHSC. The norms and standards will come into effect 12 months after the date of promulgation in February 2019.

In an endeavour to improve the quality of care within the public health system, the OHSC inspectors conducted 923 inspections using the National Core Standards at various public HEs during the 2017/18 financial year. The number of OHSC inspectors increased, and a medical specialist was recruited to assist OHSC with specialised inspections.

The OHSC appointed ten (10) community service environmental health practitioners (CSEHPs) on a one-year contract who commenced in January 2018. The CSEHPs are placed within the specialised unit of the Compliance Inspectorate, Certification and Enforcement. During the year under review, the CSEHPs conducted 79 unannounced audits focusing on healthcare risk waste management at various public HEs.

The Early Warning System (EWS) indicators have been finalised and will assist the OHSC and HEs to detect, monitor and identify areas that might pose a risk to patient safety and provision of quality care.

In trying to increase visibility and public awareness of the functions of the OHSC, particularly in rural and impoverished areas, the Office embarked on a radio campaign to promote its services. The radio broadcast messages were disseminated on 64 wireless platforms including SABC radio stations, Jacaranda FM and community radio stations. Public awareness campaigns in the form of roadshows were conducted to reach out and educate the public about the work of the OHSC in Gauteng, Limpopo and Free State provinces. Strategic partnerships in public awareness were formed with the National Council of Provinces (NCOP), Hospital Association of South Africa, Health Professions Council of South Africa and the Institute for Healthcare Improvement.

The OHSC also collaborated with institutions of higher learning in raising awareness of the functions of the Office. Lectures were presented at the University of Stellenbosch nursing management workshop, attended by postgraduate nursing students from different provinces; University of Pretoria and Forum for University Nursing Deans of South Africa (FUNDISA).

I would like to take this opportunity to acknowledge the appointment of Dr. S Mndaweni as the CEO of OHSC, who commenced her duties in October 2017 and to sincerely thank Mr. B Msibi, the former Acting CEO, for holding the fort. Further, I would like to commend the participation and contributions from my fellow Board members: the former Chairperson of the Board, Prof. LE Mazwai, Prof. S Whittaker, Prof. EL Stellenberg, Dr. BEW Masuku, Mr. OMB Pharasi, Mr. AK Hoosain, Ms. S Barsel, Ms. KS Mahlangu and Prof. MN Chetty. It is also a great pleasure to acknowledge the incisive work done by the Health Ombud, especially with regard to the "Report into the circumstances surrounding the deaths of mentally ill patients in Gauteng Province."

The Board remains committed to good leadership and governance in all operations of the OHSC and welcomes the unqualified audit opinion from the Auditor-General of South Africa (AGSA).

On behalf of the Board of the OHSC, I would like to extend our sincere gratitude to the OHSC staff for their hard work, dedication and honouring the ethos of the *Batho Pele* Principles in executing their tasks despite the challenges they faced.

The Board is grateful for the continued support of the Honourable Minister of Health, Dr. Aaron Motsoaledi, the Director-General, Ms. Malebona Matsoso, and the National Department of Health. The Board extends its sincere appreciation to the Honourable Chairperson of the Portfolio Committee on Health, Ms. Mary-Ann Dunjwa, and the Honourable members of the Health Portfolio Committee for providing guidance to the OHSC during the period under review.

Ms. Oaitse Audrey Montshiwa
Acting Chairperson
Date: 29 August 2018

CHIEF EXECUTIVE OFFICER'S OVERVIEW

CEO REFLECTIONS

It is with great pleasure and appreciation to the OHSC Board and staff to present the 2017/18 OHSC Annual Report. The 2017/18 financial year was significant for the OHSC with the promulgation of the norms and standards for different categories of HEs by the Minister of Health in February 2018. The year under review marked the implementation and continuous monitoring of the recommendations emanating from the Health Ombud report into the circumstances surrounding the deaths of mentally ill patients: Gauteng Province.

Standards Development

During the 2017/18 financial year, the OHSC developed the second set of standards for general practice for consideration by the Minister of Health. The OHSC has reached the final stages of operationalisation of the annual returns system for the HEs to commence reporting in the 2018/19 financial year. The OHSC is preparing for the implementation of the promulgated norms and standards for different categories of HEs in February 2019.

Compliance Inspectorate, Certification and Enforcement

The Inspector's Code of Conduct and Enforcement Policy have been developed and is in the process of finalisation, these will be published in the Government Gazette and on the OHSC website. The OHSC is working on the amendments to the Procedural Regulations pertaining to the functioning of the OHSC and handling of complaints by the Health Ombud to incorporate the process to be followed in the certification of both public and private HEs.

Complaints Management and Ombud

The OHSC Complaints Call Centre has been operational since November 2016. Current trends saw a continued increase in the number of complaints received from all provinces. During the 2017/18 financial year, the OHSC received 1 122 complaints compared to 730 complaints received in the 2016/17 financial year, an increase of 53.7%. This demonstrates increased public awareness of the work of the Office, stemming largely as a result of the report on the investigation of the deaths of mentally ill patients in Gauteng.

Information and Communication Technology (ICT) systems development and implementation

In the effort to enhance efficiency and support towards the OHSC operations, satisfactory progress has been made in implementing the ICT strategy, focusing on critical aspects such as infrastructure, digitisation, automation, business, security and risk management. The development of an electronic inspection system was completed during the period under review. The electronic-based inspection system contributed significantly to the mandate of the OHSC in reaching more HEs to monitor compliance with the required standards.

Stakeholder Outreach and Awareness

Various promotional material and information, education and communication material translated in different languages were developed to assist in the promotion and creating awareness on the role and functions of the OHSC.

Human Resource Management

The recruitment process was expedited by applying varied methods to ensure processes are concluded timeously and efficiently. The organisation has 121 funded posts with 113 posts filled as at 31st March 2018, which translates to 93%, three (3%) higher than the target of 90% staff complement for the reporting period. The OHSC will conduct a review of the organisational structure to ensure alignment to the

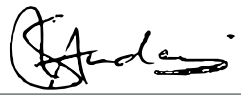
strategy of the organisation and expansion of activities to assist in fulfilling the mandate of the organisation effectively.

Inadequate office accommodation for staff members was identified as one of the challenges to be addressed to accommodate the growth of the OHSC and create a conducive working environment for OHSC staff members. The process of procuring office accommodation commenced during the year under review and is anticipated to be finalised during 2018/19 financial year.

Governance and Accountability

Policies and procedures are in place to ensure good governance, with sound risk management to prevent and detect fraud. The anonymous fraud hotline number continued to operate throughout the year. A strategic risk assessment was conducted to assess the internal and external operational environment of the OHSC. This process led to the OHSC reviewing and updating the strategic risk register and risk management policies and strategy to enable proactive responses to existing and emerging risks.

I would like to extend my gratitude and sincere appreciation to the Board of the OHSC for their continued guidance and support, to Mr. B Msibi, the former Acting CEO and the entire OHSC staff who continue to work tirelessly in achieving the mandate of the OHSC.



Dr. Siphiwe Mndaweni
Chief Executive Officer
Date: 29/08/2018

To the best of our knowledge and belief, we confirm that:
All information and amounts disclosed in this Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General of South Africa (AGSA).

The Annual Report is complete, accurate and free from any omissions and the Annual Financial Statements have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) that apply to a public entity.

The accounting authority is responsible for the preparation of the Annual Financial Statements and judgements made in this information. The accounting authority is also responsible for establishing and implementing a system of internal controls designed to provide reasonable assurance about the integrity and reliability of the performance and human resources information and the annual financial statements.

The external auditors (AGSA) were engaged to express an independent opinion on the Annual Financial Statements. In our opinion, the Annual Report fairly reflects the operations, performance and human resources information and financial affairs of the OHSC for the financial year ended 31 March 2018.

Dr. Siphiwe Mndaweni
Chief Executive Officer
Date: 29 August 2018

Ms. Oaitse Audrey Montshiwa
Acting Chairperson
Date: 29 August 2018

STRATEGIC OVERVIEW

VISION

Safe and quality healthcare for all South Africans.

MISSION

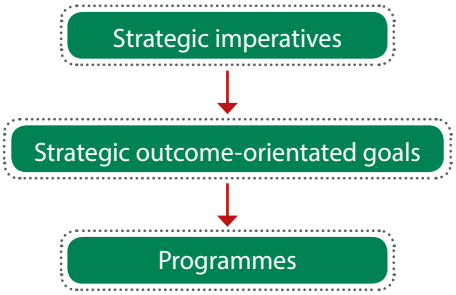
We act independently, impartially, fairly and fearlessly on behalf of the people of South Africa in guiding, monitoring and enforcing healthcare safety and quality standards in HEs.

VALUES

Our values are informed by the South African Constitution and Batho Pele principles:

"Human dignity; freedom and the achievement of equality; and that people must come first."

STRATEGIC IMPERATIVES



In adherence to the legislative mandate in terms of the NHA, and the strategic goals set by the Board, the OHSC compiled a strategic plan for the five years (2015 to 2020). The key imperatives of the strategy are based on upholding the following objectives of the OHSC to:

- Prioritise those establishments that are the weakest and serve the most disadvantaged users in order to shift the system towards safer care, while still recognising excellence wherever it is found;
- Use a progressive and developmental approach to enforcement in order to enhance change at different levels of the system;
- Use the power of information and communication, ranging from awareness and guidance through monitoring, analysis, reporting and publication, as a strategic tool to influence decisions and behaviour;
- Create and effectively use platforms for interaction with key users, providers and leadership groups to foster collaborative efforts towards improved outcomes; and
- Develop the capacity of staff and those who work directly with the OHSC as agents of change through training, rigorous control of the quality of outputs and ongoing learning.

TARGET SETTING

Every year, the OHSC performs a formal annual review of its strategy, monitoring and measuring performance against key performance indicators. The formal review is supplementary to the ongoing Board and management review of strategy and related performance measures.

This Annual Report presents the OHSC's deliverables in terms of the objectives, performance indicators, and targets for the 2017/18 financial year and the strategic outcomes-orientated goals.

Figure 1: Strategic outcome-orientated goals

LEGISLATIVE AND OTHER MANDATES

The OHSC is established under the National Health Act (NHA), to promote and protect the health and safety of the users of health services. The OHSC is listed as a Schedule 3A public entity in terms of the PFMA. As a public entity monitoring quality in the health sector, the role of the OHSC is influenced by the following governing legislation, regulations and national policies:

CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA, 1996

The Bill of Rights underpin the entire health system, specifically Section 27 of the Constitution, which guarantees everyone the right of access to healthcare services, including reproductive health services and emergency medical treatment. The Constitution further requires the State to take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right.

The regulation of the quality of health services requires all HEs to comply with policy priorities and minimum standards of care. In this manner, the regulation of quality contributes directly to government's progressive realisation of its constitutional obligations.

THE NATIONAL HEALTH ACT, 2003 (ACT NO. 61 OF 2003)

The NHA, reaffirms the constitutional rights of users to access health services and just administrative action. As a result, Section 18 allows any user of health services to lay a complaint about the manner in which he or she was treated at a health establishment. The NHA further obliges Members of the Executive Councils (MECs) to establish procedures for dealing with complaints within their areas of jurisdiction. Complaints provide useful feedback on the areas within HEs that do not comply with prescribed standards or pose a threat to the health and safety of users and healthcare staff alike.

The NHA provides the overarching legislative framework for a structured and uniform national healthcare system. The Act highlights the rights and responsibilities of healthcare providers and healthcare users and ensures broader community participation in healthcare delivery from a health facility level up to national level.

Chapter 10 of the NHA, as it relates to the OHSC, was repealed in its entirety (and other minor changes were enacted) through the promulgation of the National Health Amendment Act, 2013 (Act No. 12 of 2013). This replaced the previous provisions that had never been brought into effect with a new independent entity, the Office of Health Standards Compliance.

The purpose of the Office is reflected in the NHA as that of protecting and promoting the health and safety of users of health services by:

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

In terms of the NHA, the OHSC must:

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

In addition, the OHSC may:

- **Issue guidelines** for the benefit of HEs to implement prescribed norms and standards;
- **Publish any information relating to prescribed norms and standards** through the media and, where appropriate, within specific communities;

- **Collect or request any information relating to prescribed norms and standards** from HEs and users;
- **Liaise with any other regulatory authority** and, without limiting the generality of this power, request information from, exchange information with and receive information from any such authority about matters of common interest or a specific complaint or investigation; and
- **Negotiate cooperative agreements with any regulatory authority** to coordinate and harmonise the exercise of jurisdiction over health norms and standards and ensure the consistent application of the principles of this Act.

THE PROTECTION OF PERSONAL INFORMATION ACT, 2013 (ACT NO.4 OF 2013) ("POPI")

The purpose of the PoPI is to ensure that all South African institutions, including the OHSC, conduct themselves in a responsible manner when collecting, processing, storing and sharing personal information by holding them accountable should they abuse or compromise such information in any way. The PoPI Act regards personal information as "precious goods" and gives owners of personal information certain rights of protection and the ability to exercise control over:

- when and how the information is shared (requires individual consent);
- the type and extent of information that is shared (must be collected for valid reasons);
- the transparent and accountable use of the data (limited to the purpose) and notification if/when the data are compromised;
- who accesses personal information and the right to have personal data removed and/or destroyed;
- adequate measures and controls to access personal information and tracking access to prevent unauthorised access;
- the storage of personal information (requires adequate measures and controls to safeguard personal information and protect it from theft or being compromised); and
- the integrity and continued accuracy of personal information (must be captured correctly and maintained by the institution that/person who accessed it).

PROMOTION OF ACCESS TO INFORMATION ACT, 2000 (ACT NO. 2 OF 2000) ("PAIA")

Section 32 (1) (a) of the Constitution states that everyone has a right to access any information held by the state or another person to protect any rights. The PAIA gives all South Africans the right to access records held by the state, government institutions and private bodies.

The objectives of the PAIA are to:

- ensure that the State promotes a human rights culture and social justice;
- encourage openness and establish voluntary and mandatory mechanisms;
- establish procedures for the right to access information quickly, effortlessly, cost-effectively and as reasonably as possible;
- promote transparency, accountability and effective governance of all public and private bodies by empowering and educating everyone to understand their rights in terms of the PAIA and in relation to public and private bodies;
- create an understanding of the functions and operation of public bodies; and
- encourage the scrutiny of and participation in decision-making by public bodies that affect individual/public rights.

PROMOTION OF ADMINISTRATIVE JUSTICE ACT, 2000 (ACT NO. 3 OF 2000) ("PAJA")

Section 33 (1) and (2) of the Constitution guarantees that administrative action will be reasonable, lawful and procedurally fair, and it makes sure that people have the right to ask for written reasons when administrative action has a negative impact on them. PAJA aims to make the administration effective and accountable to people for its actions. The objectives of the PAJA are to:

- promote an efficient administration and good governance; and
- create a culture of accountability, openness and transparency in the public administration.

NATIONAL POLICY ON QUALITY IN HEALTHCARE, 2007 ("NPQ")

A focus on quality assurance and improvement is not a new concept. The 2001 NPQ was revised in 2007. The policy identifies mechanisms to improve the quality of healthcare in the public and private sectors and highlights the need to involve health professionals, communities, patients and the broader healthcare delivery system (Department of Health) in capacity-building efforts and quality initiatives.

The objectives of the NPQ are to:

- improve access to quality healthcare;
- increase patients' participation and the dignity afforded to them;
- reduce underlying causes of illness, injury and disability;
- expand research on treatments specific to South African needs and the evidence of effectiveness;
- ensure appropriate use of services; and
- reduce errors in healthcare.

NATIONAL CORE STANDARDS (NCS) FOR HEALTH ESTABLISHMENTS IN SOUTH AFRICA

The NCS is based on input from numerous stakeholders and extensive field experience and forms the basis for the promulgated norms and standards that the Minister prescribed into law. The norms and standards are aligned with South Africa's existing policy on healthcare.

The purpose of the NCS is to:

- Develop a common quality care definition for all HEs in South Africa to guide the public, managers and staff at all levels;
- Establish a benchmark to assess HEs, identify gaps and appraise strengths; and
- Certify HEs that comply with regulated standards.

The public health system prioritises the following six priority areas which are of major concern to patients:

- Values and attitudes;
- Waiting times;
- Cleanliness;
- Patient and staff safety and security;
- Infection prevention and control; and
- Availability of medicines and supplies.

The Minister of Health published the proposed norms and standards regulations for comment in January 2017 under Sections 90 (b) and 90 (c) of the NHA, as amended. Constructive comments were incorporated in the draft regulations and submitted to the Minister for final promulgation in the Government Gazette. The prescribed norms and standards will apply to the following categories of HEs:

- Public sector hospitals, as set out in Government Gazette, No 35101;
- Public sector clinics;
- Public sector community health centres;
- Private sector hospitals; and
- Private sector primary healthcare clinics.

The Norms and Standards Regulations will also apply to other HE categories in the NHA when the Minister, advised by the OHSC, has issued the related norms and standards. The proposed norms and standards are informed mainly by the NCS, published in 2011, with approval from the National Health Council (NHC). The OHSC has consulted extensively since 2013 to correct errors, clarify ambiguities, ensure measurability and align the framework of domains and sub-domains as areas of risk.

PROCEDURAL REGULATIONS PERTAINING TO THE FUNCTIONING OF THE OFFICE OF HEALTH STANDARDS COMPLIANCE AND HANDLING OF COMPLAINTS BY THE OMBUD

These regulations will guide the exercise of powers conferred on the OHSC and its Board, the Chief Executive Officer, the Ombud, Inspectors and Investigators.

The regulations cover the following areas:

- Collection of information from HEs and designation and duties of the person in charge;
- Appointment of Inspectors, training and expertise;
- The inspection process and timelines;
- Additional inspections;
- Entry and search of premises including prior-consent procedures or the application for a warrant if required;
- Processes of certification, renewal and suspension;
- Compliance notice and enforcement process, including formal hearing, revocation of certificate, fines or referral to prosecuting authority, appeals and reporting;
- Complaints handling, investigation and resolution procedures, lodging of complaints, screening, investigation and reporting and turnaround times; and
- General provisions about using prescribed forms (listed in Schedule 1).

NATIONAL HEALTH INSURANCE (NHI)

The NHI is based on the principles of universal health coverage, equity, right of access to basic healthcare and social solidarity, irrespective of a person's socio-economic status. An effective and well-functioning health quality system with set standards and norms that are implemented effectively is essential for the successful execution of the NHI. The OHSC's certification of HEs will in future be a prerequisite for accessing NHI funding.

BATHO PELE AND THE PATIENT'S RIGHTS CHARTER

Alongside health-specific policies and legislation, the *Batho Pele* principles govern all public services, including healthcare delivery. The *Batho Pele* ("People First") initiative encourages service-orientation, excellence and improved delivery among public servants. The eight (8) *Batho Pele* principles aimed at enhancing public service delivery (Republic of South Africa, 2007) are:

- Regularly consult with customers;
- Set service standards;
- Increase access to services;
- Ensure higher levels of courtesy;
- Provide more and better information about services;
- Increase openness and transparency about services;
- Remedy failures and mistakes; and
- Give the best possible value for money.

In response, the health sector promulgated the "Patient's Rights Charter", which specifies – as reiterated in the NCS – that the rights of patients must be respected and upheld, including the right to access to basic care and receive respectful, informed and dignified attention in an acceptable and hygienic environment. Patients should be empowered to make informed decisions about their health and complain if they do not receive decent care.

NATIONAL DEVELOPMENT PLAN (NDP)

The NDP Vision 2030 states that a health system with positive health outcomes for the country is possible and will:

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

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

OTHER LEGISLATION RELEVANT TO THE DELIVERY OF HEALTHCARE SERVICES

The legislation referred to in the NHA that influences the execution of the OHSC mandate and functions are reflected in Table 1.

Table 1: Legislation that influences the OHSC in the fulfilment of its mandate

Medical Schemes Act, 1998 (Act No. 131 of 1998)	Regulates the medical schemes industry to ensure alignment with national health objectives
Medicines and Related Substances Act, 1965 (Act No. 101 of 1965)	Registers medicines and other medicinal products for safety, quality and efficacy and provides pricing transparency
National Health Laboratory Service Act, 2000 (Act No. 37 of 2000)	Acts as a statutory body for laboratory services to the public health sector
Health Professions Act, 1974 (Act No. 56 of 1974)	Regulates the health professions, specifically medical practitioners, dentists, psychologists and other health-related professions, including their community services
Pharmacy Act, 1974 (Act No. 53 of 1974)	Regulates the pharmacy profession, including community service by pharmacists
Nursing Act, 2005 (Act No. 33 of 2005)	Regulates the nursing profession
Allied Health Professions Act, 1982 (Act No. 63 of 1982)	Regulates health practitioners such as chiropractors, homeopaths and others, and for the establishment of a council to regulate these professions
Dental Technicians Act, 1979 (Act No. 19 of 1979)	Regulates dental technicians and the establishment of a Council to regulate the profession
Hazardous Substances Act, 1973 (Act No. 15 of 1973)	Controls hazardous substances, particularly those that emit radiation
Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act No. 54 of 1972)	Regulates foodstuffs, cosmetics and disinfectants and sets quality and safety standards for their sale, manufacturing and importation
Occupational Diseases in Mines and Works Act, 1973 (Act No. 78 of 1973)	Provides for medical examinations of persons suspected of having contracted occupational diseases, especially in mines, and for compensation in respect of those diseases
Human Tissue Act, 1983 (Act No. 65 of 1983)	Administers matters that relate to human tissue

ORGANISATIONAL STRUCTURE

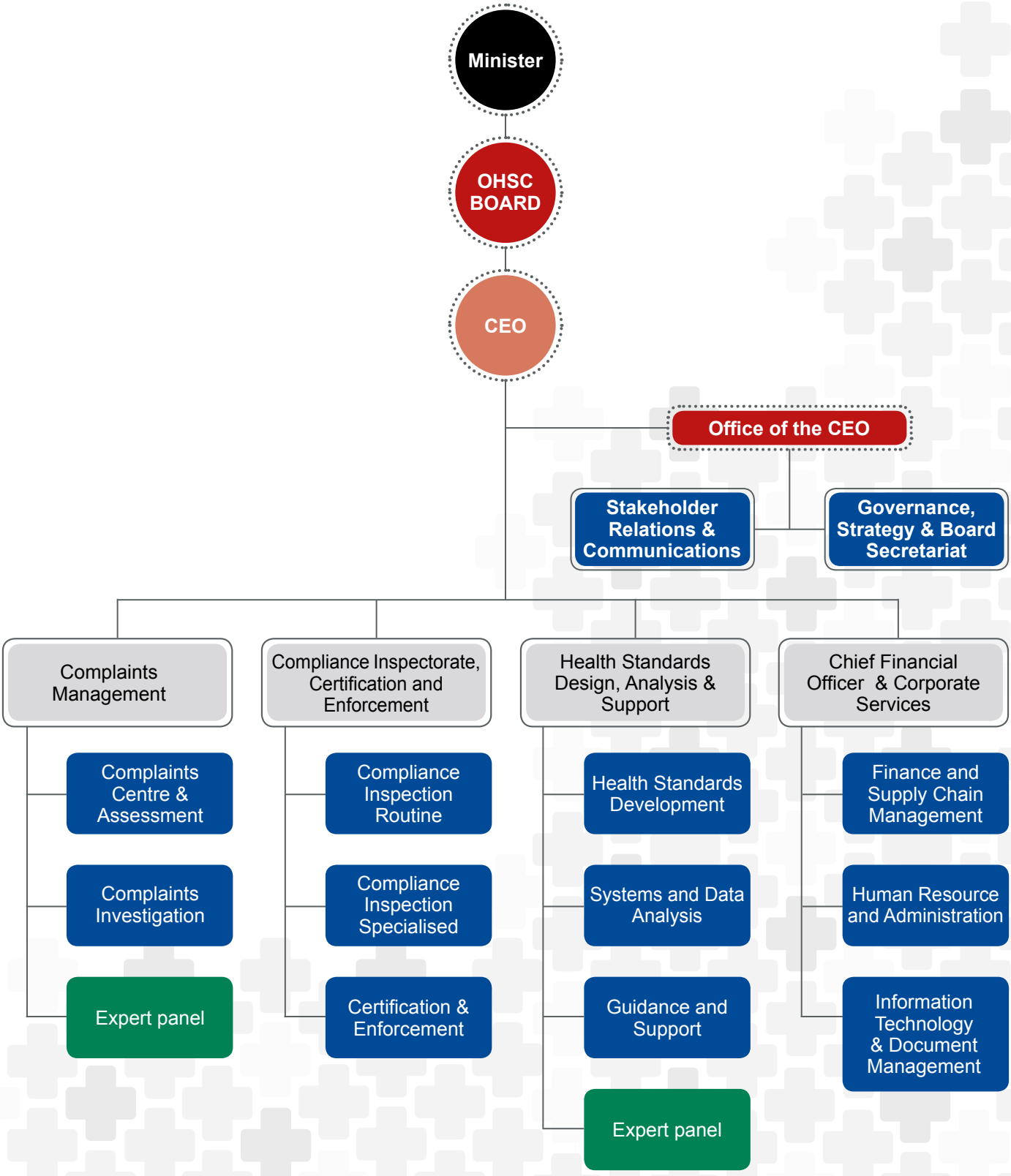


Figure 2: OHSC organisational structure

PART B
PERFORMANCE INFORMATION

THE ACCOUNTING AUTHORITY/BOARD

The Auditor-General of South Africa/auditor currently performs the necessary audit process on the OHSC performance information to provide reasonable assurance in the form of an audit conclusion.

The audit conclusion on performance against predetermined objectives is included in the report to management, with material findings reported under *Report on the Audit of the Annual Performance Report*.

Refer to page 95 of the Report of the Auditors under Part E: Financial Information.

SITUATIONAL ANALYSIS

HEALTH SERVICE DELIVERY ENVIRONMENT

The Institute of Medicine has defined quality healthcare as "the degree to which healthcare services for individuals and populations increase the likelihood of desired health outcomes and are consistent with current professional knowledge." This definition indicates that quality health services should be: effective; efficient; equitable; patient-centred; safe; and timely. Healthcare service delivery faces increasing public demands for access to health services and use of innovative new technologies, new medicines and new models of care. There is increasing public awareness and higher expectations from the public for the provision of quality and safe care.

THE QUALITY CHALLENGE

The NHA was aimed at introducing a uniform health system with equitable access for all citizens. Although the country underwent substantive restructuring of the public health system with the establishment of the three levels: national, provincial and district health system, funding is still skewed between public and private sectors with the latter being better resourced. There have been significant and notable improvements in some aspects of the health system. However, major challenges remain in the provision of safe and quality healthcare. This is particularly apparent with persistent inequities of the quality of care in previously disadvantaged areas and between public and private sectors.

HEALTH REFORM EFFORTS AND QUALITY IMPLICATIONS

The National Department of Health (NDoH) has been implementing initiatives to further reform the healthcare sector including universal healthcare in the form of the NHI. The focus of these initiatives is to ensure the public and private health sectors deliver on key expectations and requirements of providing the right healthcare at the right time in the safest of conditions. The OHSC was established as part of the initiatives by the National Government with the mandate to protect and promote the health and safety of users of healthcare services.

Initiatives relevant to the work of the OHSC include:

- Development and approval of the NCS as a policy framework to define the quality of care in South Africa;
- The promulgation of the norms and standards for different categories of HEs;
- Processes to rehabilitate health infrastructure and improve maintenance services;
- The review of structures and systems to strengthen governance, oversight and management of HEs, including recruitment of hospital managers;
- The introduction of better controls on the acquisition, use and over-use or inappropriate use of resources; and
- Major focus on clinic management and service delivery.

Some of the above aspects are regulated in the promulgated norms and standards applicable to different categories of HEs.

The socio-political and economic situation in South Africa impacts on the resourcing of the health system, which in turn impacts on the quality of service delivery. Reduction in the budget allocated to health, despite increasing costs of treatment and South Africa's quadrable burden of disease, (HIV, TB maternal and child health, non-communicable disease and injuries) will have an undesirable impact in improving health outcomes.

MOCK INSPECTIONS AND FINDINGS

The OHSC commenced with conducting mock inspections in 2014 in public HEs throughout the nine provinces. In the 2017/18 financial year, a total of 923 HEs were inspected by the OHSC, which represents 24.18% of South Africa's 3 186 public HEs. A detailed annual inspection report with findings from the mock inspections will be released by the OHSC as a separate document for public information.

Following the appointment of Community Services Environmental Health Practitioners (CSEHPS) in January 2018, audits of the management and disposal of healthcare risk waste have been conducted in 79 of HEs in all nine provinces. The mock inspections and healthcare risk waste inspections were conducted at the following levels of care in the public service:

- Community Health Centres (CHC's);
- Clinics; and
- Hospitals (District, Regional, Provincial and Central).

ENVISAGED IMPACT OF THE OHSC

Through the work of the OHSC, it is envisaged that the quality of healthcare provided by HEs and the safety of the users will improve if HEs address the findings of the inspections conducted. The OHSC is a key partner in health systems strengthening with the objective of achieving a Universal Healthcare Coverage recommended by WHO, as outlined in the National Health Insurance Policy.

The regulatory impact of the OHSC within the healthcare system will contribute towards the improvement of overall health outcomes of the citizens and move the country closer towards the achievement of Outcome 1 of the National Development Plan- "A long and healthy life for all South Africans."

ORGANISATIONAL ENVIRONMENT

The mandate of the OHSC is to monitor and enforce compliance with the prescribed norms and standards and investigation of complaints relating to breaches of the prescribed norms and standards, as defined in the NHA. In order to achieve its mandate, sufficient resources must be made available for effective implementation of these functions. The OHSC has experienced an increase in the volume of complaints following the widely publicised report into the circumstances surrounding the deaths of mentally ill patients in Gauteng province. The OHSC staff complement will have to be increased to meet the demand and ensure timeous resolution and disposal of complaints received to fulfil the legislative mandate of the Office. Despite the current human resource constraints, the staff members are committed to the effective functioning of the OHSC.

THE HEALTH OMBUD: AN OVERVIEW

Table 2: The Health Ombud

Description	The Health Ombud is appointed in terms of the National Health Act, 2003 (Act No. 61 of 2003) and is located within the OHSC. The key purpose of existence is to ensure that the complaints relating to healthcare are considered and resolved. • Its main purpose is to be the voice of the people in instances where HEs have breached prescribed norms and standards (in contrast to individual healthcare workers' professional misconduct). • The Ombud must perform his or her functions *"in good faith and without fear, favour, bias or prejudice."*
Purpose	To receive, investigate and dispose of complaints from the public related to breaches of norms and standards of healthcare, the Ombud has to make sure that the healthcare user's complaint is heard, investigated and redressed, as well as: • Referring any complaints received from the public that warrants investigation and managed by a specific regulatory body e.g. SANC, HPCSA; • Publishing the reports of complaints annually on the website for public consumption; • Providing the Minister with an annual report of all complaints received and the status thereof. Any person, guardian or representative of a person to whom healthcare service was provided in South Africa is welcome to lodge a complaint regarding sub-standard services by any HE in South Africa: • One can lodge a complaint on behalf of a relative, a minor or any other person. • Any other person can lodge a complaint as a whistle blower.
Authority	• The Ombud operates within the OHSC in accordance with section 78(b) of the National Health Act, 2003. • The Ombud is responsible for investigating all complaints related to breaches of norms and standards related to healthcare services, both public and private, as well as to: • Make recommendations to HEs regarding breaches identified; and • Refer any complaint that the Ombud feels needs to be investigated and managed by a regulatory body.

Process to lodge a complaint	A complaint has to be lodged within two (2) years of its occurrence for the Office to investigate it. The complaint should have at least been lodged with the respective HE and the complainant either remains unresolved or there is dissatisfaction with the outcome • Complaints may be lodged verbally by visiting the office or telephonically through the toll-free number or office telephone line. • The toll-free line is made more user-friendly through the provision of multilingual options. • Complaints may also be lodged in writing, which is through e-mail, hand delivery or post. • The public is encouraged to lodge complaints with the relevant HE, which can be done verbally or in writing, before approaching the Office. • HEs are expected to follow their established complaints management protocol in addressing user complaints. • When lodging a complaint with the office the following information should be provided: o Name of Complainant o Contact number o Name of patient o Contact number o Patient Registration Number o Name of Health Establishment o Location of Health Establishment (province or district) o Date and time of incident o Details of incident o Unit where incident occurred o Names of personnel involved o Date incident reported to HE o Person reported to o Feedback from facility if any o If the complaint is made on behalf of a competent adult, the complainant should have received permission • The investigation process and the resolution of the complaint will take approximately six (6) months but may be extended to two (2) years depending on the complexity of the matter.

STRATEGIC OUTCOME- ORIENTATED GOALS

OHSC's strategic outcomes-orientated goals underpin the organisation's strategic imperatives as demonstrated in **Figure 3** below.

Figure 3: Strategic outcomes-orientated goals

PERFORMANCE MANAGEMENT BY PROGRAMME

The OHSC consists of different divisions which are responsible for achieving the strategic objectives per programme, ultimately with all divisions working towards a common goal – complying with the OHSC's mandate to ensure safe and quality healthcare for everyone. The different functional expertise works closely in developing and implementing cross-functional projects towards the organisation's shared purpose.

The programme performance provides a description of each programme, including objectives, deliverables and achievements and further demonstrate the interrelatedness of various programmes.

Figure 4: Illustrates the Programmes within the OHSC

PROGRAMME 1: ADMINISTRATION

Programme purpose

To provide the leadership and administrative support necessary for the OHSC to deliver on its mandate and comply with all relevant legislative requirements.

Description of strategic objectives

Table 3: Strategic objectives for the Administration Programme

Strategic Objective 1.1	Establish a fully functional Office suitably staffed to execute the mandate and goals of the OHSC
Objective statement	A functional OHSC with budget and personnel to implement the OHSC mandate effectively is established
Indicator	% of funded staff appointed
Baseline (2016/17)	96%
Target (2015-20)	90%

Strategic Objective 1.2	Accredit inspectors after successfully completing approved training course
Objective statement	To formally accredit inspectors through staff training and development within the OHSC as part of overall training and staff development function
Indicator	% of compliance inspectors accredited
Baseline (2016/17)	0%
Target (2015-20)	100%

Strategic Objective 1.3	Implement good governance, oversight and accountability through appropriate delegations, including financial management and compliance to PFMA
Objective statement	To ensure good governance, oversight and accountability through appropriate delegations to Board and management governance structures and legislative compliance
Indicator	Auditor-General's annual findings rating.
Baseline (2016/17)	Unqualified audit report
Target (2015-20)	Unqualified audit report

Strategic Objective 1.4	Leverage the information technology to meet the needs of the OHSC and to deliver OHSC services more efficiently
Objective statement	Specialised IT system for the OHSC is implemented
Indicator	% of IT systems uptime
Baseline (2016/17)	95%
Target (2015-20)	95%

Strategic Objective 1.5	Create public, provider and stakeholder awareness about the roles and powers of the OHSC
Objective statement	Activities are carried out to create public awareness on the mandate, roles and powers of OHSC
Indicator	Number of media and communication events and campaigns conducted annually
Baseline (2016/17)	14
Target (2015-20)	18

Strategic Objective 1.6	Support the mandate and objectives of the OHSC through Memorandums of Understanding (MOUs) with relevant regulators or other organisations
Objective statement	MOUs with relevant regulators/other organisations to further the mandate and objectives of the OHSC to improve quality and safety and monitor implementation prior to annual ratification are signed.
Indicator	Number of MOUs signed annually with regulators/other organisations to protect and promote healthcare quality and safety
Baseline (2016/17)	2
Target (2015-20)	10

Table 4: Performance against strategic objectives for the 2017/18 financial year

PROGRAMME 1: ADMINISTRATION						
Strategic objective	Performance indicator	Actual achieve-ment 2016/17	Planned target 2017/18	Actual achieve-ment 2017/18	Deviation from planned target to actual achievement for 2017/18	Comment on deviations
1.1 Establish a fully functional office suitably staffed to execute the mandate and goals of the OHSC	% of funded staff appointed	96%	90%	93%	+3%	Recruitment process was expedited through the use of the service provider contracted to conduct background checks processes to finalise the appointments much quicker

PROGRAMME 1: ADMINISTRATION						
Strategic objective	**Performance indicator**	**Actual achieve-ment 2016/17**	**Planned target 2017/18**	**Actual achieve-ment 2017/18**	**Deviation from planned target to actual achievement for 2017/18**	**Comment on deviations**
1.2 Accredit inspectors after successfully completing approved training course	% of compliance inspectors accredited	0%	80%	**0%**	-80%	Training of inspectors commenced during the month of October 2017 38 out of 39 inspectors were trained on 10 modules of the curriculum. Accreditation of inspectors did not take place because the training curriculum did not include a module on regulated norms and standards as the norms and standards were promulgated in Quarter 4 of the year under review
1.3 Implement good governance, oversight and accountability through appropriate delegations, including financial management and compliance to PFMA requirements	Auditor-General's annual findings rating	Unqualified audit report	Unqualified audit report	**Unqualified audit report**	-	-
1.4 Leverage the Information Technology to meet the needs of the OHSC and to deliver OHSC services more efficiently	% of IT systems uptime	95%	90%	**99%**	+9%	The OHSC Information Technology systems are operating efficiently due to close monitoring of existing contracts with service providers

PROGRAMME 1: ADMINISTRATION						
Strategic objective	**Performance indicator**	**Actual achievement 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to actual achievement for 2017/18**	**Comment on deviations**
1.5 Create public, provider and stakeholder awareness about the roles and powers of the OHSC	Number of media and communication events and campaigns conducted annually	14	6	**8**	+2	The OHSC embarked on radio advertisement campaign on 64 wireless platforms such as SABC radio stations, Jacaranda FM and community radio stations for a period of 2 weeks A public awareness campaigns in a form of roadshows were conducted to reach out and share information with the public about the work of the Office in provinces such as Gauteng, Limpopo and Free State Strategic partnerships were formed with bodies such as the National Council of Provinces, Hospital Association of South Africa, Health Professions Council of South Africa and Institute for Healthcare Improvement to reach out and share information with stakeholders in the form of exhibitions in Free State, Western Cape, Mpumalanga and KwaZulu-Natal provinces

PROGRAMME 1: ADMINISTRATION						
Strategic objective	**Performance indicator**	**Actual achieve-ment 2016/17**	**Planned target 2017/18**	**Actual achieve-ment 2017/18**	**Deviation from planned target to actual achievement for 2017/18**	**Comment on deviations**
1.6 Support the mandate and objectives of the OHSC through Memorandum of Understanding (MOUs) with relevant regulators or other organisations	Number of MOUs signed annually with regulators/ other organisations to protect and promote healthcare quality and safety	2	2	**2**	-	Two Memoranda of Understanding were signed by the Health Ombud with the Public Service Commission and Public Protector. Three draft MOU's with the South African Nursing Council and Council for Medical Schemes and Mediclinic have been crafted

Key for Actual Achievement Column

- Achieved
- Partially Achieved
- Not Achieved

Finance and Supply Chain Management

Achievements

In its third year of operation, the OHSC has achieved an unqualified audit opinion from the AGSA. Policies and procedures are in place to ensure good governance, sound risk management, and to prevent and detect fraud. During the year under review, a number of policies were reviewed to strengthen the internal control environment and good governance, with sound risk management to prevent and detect fraud. The anonymous fraud hotline number continued to operate throughout the year.

The OHSC has an outsourced internal audit function. At the commencement of the financial year, the Board approved an internal audit coverage plan which served as a basis for the internal audit work for the financial year. In line with the internal audit coverage plan, internal audits were conducted in the following areas:

- Governance;
- Health standards design, analysis and support;
- Complaints management and inspections;
- Human resource management;
- Information technology;
- Supply chain management; and
- Quarterly reports against pre-determined objectives.

In line with the OHSC's statutory obligations, periodic and regular financial reports were prepared and reported to the relevant internal and external stakeholders. In addition, a strategic risk assessment was conducted taking into account the internal and external operational environment of the OHSC. This process of risk assessment led to the OHSC updating its strategic risk register, as well as reviewing the risk management policies and strategy to enable a proactive response to existing and emerging risks.

Internal control measures were also reconsidered to mitigate the risks identified during the strategic risk assessment.

Challenges

During the year under review, not all the funded positions as per the structure could be filled due to lack of sufficient office space to accommodate additional new employees. The lack of sufficient office space also posed challenges with regard to storage of documents and information.

Moving forward

The OHSC received the full transfer from the national fiscus, as well as raising additional revenue in the form of interest from investment of funds. However, due to the prevailing economic environment, and competing demands, the funding from the national fiscus will not be sufficient for a fully operational OHSC. With the promulgation of the norms and standards and increased visibility of the OHSC, it is envisaged that the work of the OHSC will continue to increase, and this will require corresponding financial resources to keep pace with the increase in the volume of activities. In this regard, the OHSC will continue to have consultations and engagements with the national government regarding funding.

Information Communication Technology (ICT)

Achievements

ICT Strategy

During the year under review, the OHSC made satisfactory progress in implementing the ICT strategy focusing on critical aspects such as infrastructure, digitisation, automation, business intelligence, security and risk management.

Call Centre

The Call Centre which serves as the complaints management system has been operational since its initial launch on the 28th November 2016. The activities related to the operations of the complaints call centre are reported under the Programme 3: Complaints Management and Ombud.

Electronic Inspection System

In support of the mandate of monitoring and enforcing compliance by HEs with norms and standards, the development of an electronic inspection system was completed to enhance the processes during inspections of HEs. The electronic inspection system contributed significantly to efficient processes of inspecting HEs for compliance with the set standards.

The activities related to the functioning of the electronic inspection systems are reported under Programme 2: Compliance Inspectorate, Certification and Enforcement. Furthermore, a question generator tool has been developed for Programme 4: HSDAS, which serves as an online tool

that allows an OHSC administrator to create and manage (add/edit/delete/sort) measures through a new questions generator control panel. This tool has been integrated with the electronic inspection system.

Annual Returns System

An interactive online annual returns system has been developed for submission of annual returns by HEs. This system is meant to assist HEs to comply with the legal requirement to lodge annual returns with the OHSC within a specified period of time. The annual return system is envisioned to contribute towards improving the expediency and accuracy of submission, as well as monitoring thereof.

Website development

During the reporting year, the ICT unit developed the Health Ombud portal which was finalised and went live in July 2017. The link for the Health Ombud website is www.healthombud.org.za. Subsequently, the OHSC also upgraded the look and feel on its existing website in October 2017. The link for the OHSC website is www.ohsc.org.za. In addition, an OHSC intranet was developed to simplify and maximise internal communication with members of staff and went live in July 2017.

Challenges

The key challenge facing the OHSC was inadequate office space, specifically in relation to the implementation of ICT infrastructure. The lack of suitable premises was a major challenge during the year and became more critical as the number of staff increased.

Moving forward

Although the OHSC mas made some progress in implementing the ICT strategy, the following projects will receive priority in the 2018/19 financial year:

- Implementation of the ICT server infrastructure in the new office premises,
- Document management system to store and archive data and provide an electronic online platform document storage system, and
- Development of a functional Early Warning System (EWS) which plays an important role in monitoring compliance with norms and standards. The activities related to the functioning of the EWS are reported under Programme 4: Health Standards Design, Analysis and Support.

Human Resources

Achievements

During the financial year under review, of the 121 funded posts113 posts were filled as at 31 March 2018 and this constituted an achievement of 93%, three (3%) higher than the target of 90%. The recruitment process was expedited by applying different methods of recruitment to ensure that processes are concluded timeously. Furthermore, policies and procedures were reviewed to be responsive to a growing organisation and ensure that the OHSC delivers on its mandate and strategic objectives.

Challenges

Inadequate office space for staff was identified as one of the challenges to be addressed to create a conducive working environment for OHSC employees.

The limited personnel budget has also been identified as a challenge. Only a limited number of posts in the structure are funded due to funding constraints. The inadequate human resources have proved to have adverse effects on the organisation's capacity to effectively fulfil its mandate.

Moving forward

The process of procuring office space commenced during the year under review, the OHSC plans to finalise this procurement during the 2018/19 financial year. This will ensure the growing number of employees is provided with adequate accommodation and create a supportive working environment to promote positive physical and psychological effects on OHSC staff.

In order to align the OHSC to the ever-changing internal and external operational environment, the OHSC will embark on the review of the organisational structure to ensure proper alignment to the strategy of the organisation and assist the organisation to effectively fulfil its mandate.

Communication and Stakeholder Relations

Achievements

The Office undertook a two-week radio advertisement campaign facilitated through the Government Communication and Information Systems (GCIS). The advertising campaign went live on 64 wireless platforms including SABC radio stations, Jacaranda FM and community

radio stations, reaching 52% listeners. For the SABC radio stations, the advert was aired at least six times during the campaign period. Over 655 000 listeners were reached on Jacaranda FM, with the advert aired at least twice during the campaign period.

Public Awareness Campaign

The community outreach campaigns in a form of roadshows were conducted to share information with the public about the work of the OHSC in Gauteng, Limpopo and Free State provinces. Information Education Communication (IEC) material was distributed in Gauteng, Limpopo and Free State provinces. IEC material was shared with patients, facilities staff members, members of the public during these roadshows.

Strategic partnerships collaborating in public awareness were formed with bodies such as the NCOP, Hospital Association of South Africa, HPCSA and Institute for Healthcare Improvement to reach out and share information with stakeholders during exhibitions in Free State, Western Cape, Mpumalanga and KwaZulu-Natal provinces.

Table 5: Roadshows conducted during 2017/18 financial year

Activities	Province/Municipality	Location
• The Office participated in an exhibition at Africa Forum on Quality and Safety in Healthcare Conference from 19 – 21 February 2018 • Information, education and communication (IEC) material shared with delegates visiting the OHSC's exhibition stand	KwaZulu-Natal, eThekwini Metropolitan Municipality	Inkosi Albert Luthuli International Convention Centre
• The OHSC collaborated with the Health Professions Council of South Africa to participate in a public awareness campaign to share information with the community relating to the work of the OHSC on the 24 October 2017 • IEC materials shared with the community members	Mpumalanga, Bushbuckridge Local Municipality	Hluvukani
• The Office was invited to the 2017 Health Association of South Africa annual conference from 27–29 September 2017. • IEC material shared with delegates	Western Cape, City of Cape Town Metropolitan Municipality	Cape Town International Convention Centre
• The OHSC participated in a week-long exhibition in support of the NCOP's mandate of taking the Parliament to the people in Free State from 21 – 25 August 2017 • IEC material was shared with members of the community	Mangaung Metropolitan Municipality	Kaiser Sebothelo Sports Arena in Botshabelo

Activities	Province/Municipality	Location
• Stakeholder engagement roadshow at HEs to create awareness of OHSC's role and functions from 19 – 23 September 2017 • IEC material shared with the members of the community and HE staff members	Free State, Mohokare Municipality, Kopanong Municipality, Letsemeng Municipality, Masilonyana Municipality, and Tokologo Municipality	**1 x Hospital:** Embakweni Hospital **21 x Clinics:** Phekolong Clinic, Matlakeng Clinic, Thembalethu Clinic, One Stop Clinic, Lebohang Clinic, Winnie Madikizela Mandela Clinic, Van Stadensrus Clinic, Nelson Rolihlahla Mandela Clinic, Ethembeni Clinic, Fauresmith Clinic, Mamello Clinic, Sehularo Tau Clinic, Lephoi Clinic, Springfontein Clinic, Itumeleng Clinic, Maranatha Clinic, Tshwaraganang Clinic, Dealesville, Brandfort Clinic, Dealesville Clinic, and Vaalrock Clinic
• Stakeholder engagement roadshow at HEs to create awareness of OHSC's role and functions from 11–15 September 2017 • Creating awareness among healthcare users • IEC material shared with the community and HEs staff members	Limpopo, Makhado Local Municipality, Maruleng Municipality, Fetakgomo-Greater Tubatse Local Municipality, Mopani Municipality, Greater Tzaneen Municipality, Maruleng Municipality, Burgersfort Municipality, Makhado Local Municipality, Greater Giyani Municipality, and Capricorn Local Municipality	**4 x Hospitals:** Elim Hospital, Sekororo Hospital, and Dilokong Hospital Tiyani Hospital **17 x Clinics:** Dilokong Gateway Clinic, Lorraine Clinic, Ga-Kgapane Village, Sekororo Clinic, Sophia Clinic, Bismarck Clinic, Hoedspruit Clinic, Tuckey Clinic, Willows Clinic, Oaks Clinic, HC Boshoff Clinic, Selala Clinic, Ga-Madiseng Mobile Clinic, Soetfontein Clinic, Mbokota Clinic, Khensani Clinic, Matoks Clinic, Makgato Clinic, and Mamaila Clinic **2 x CHC:** Nkowa-Nkowa CHC, and Bhungeni CHC
• Stakeholder engagement roadshow at HEs to create awareness of OHSC's role and functions from 14–16 August 2017 • Creating awareness among healthcare users • IEC material shared with the community and HEs staff members	Gauteng, City of Tshwane	**4 x Hospitals:** Jubilee Hospital, Odi Hospital, Mamelodi Hospital, and Kalafong Hospital **19 x Clinics:** Ramotse Clinic, Dilopye Clinic, New Eersterus Clinic, Boekenhout Clinic, Tlamelong Clinic, Soshanguve Block TT Clinic, Gazankulu Clinic, Laudium Clinic, Lotus Gardens Clinic, Hercules Clinic, Bronkhorstspruit Clinic, Ekangala Clinic, Rayton Clinic, Refilwe Clinic, Onverwacht Clinic, Nellmapius Clinic, Mamelodi West Clinic, Refentse Stinkwater Clinic, Hammanskraal Gateway Clinic, and East Lynne Clinic **4 x CHCs:** Temba CHC, Soshanguve CHC, Dark City CHC, and Stanza Bopape CHC

Media engagements

As part of promoting good media coverage for the OHSC and the Health Ombud, interactions were held with media personnel.

Seven (7) media releases were issued during the 2017/18 financial year, largely related to activities of the report on circumstances surrounding the deaths of mentally-ill patients in Gauteng province.

Table 6: Media interaction conducted during 2017/18 financial year

Activities	Province/Municipality	Location
• The progress on the implementation of the report into the "Circumstances surrounding the deaths of mentally-ill patients: Gauteng Province"	• To provide media updates on the progress relating to the implementation of the findings in the report	**Media coverage:** • News24
• Appointment of the new OHSC Board members	To inform stakeholders about the appointment of the new OHSC Board members	**Media coverage:** • The New Age • Sowetan • The Times Live
• Response to the deaths of mentally-ill patients in Gauteng Province (Life Esidimeni)	To provide update on the matter	**Media coverage:** • Checkpoint • Carte Blanche • News24 • eNCA • Eye Witness News • MetroTell • South-Africa.Direct.News • Medical Brief • TimesLive • AfricanSeer • SA News • IOL • Global advisors • The New Age • Sowetan
• Two media releases pertaining to the decision of the Independent ad hoc tribunal relating to the Life Esidimeni Appeals	To inform stakeholders and public about the dismissal of the appeals by the Independent ad hoc tribunal.	**Media coverage:** • News24 • eNCA • Eye Witness News • MetroTell • South-Africa.direct.news • Medical Brief • TimesLive

Activities	Province/Municipality	Location
• Appointment of the new OHSC CEO	To inform stakeholders about the appointment of the new OHSC CEO	**Media coverage:** • AfricanSeer • SA News • IOL • Global advisors • The New Age • Sowetan • The Times Live
• Confirmation of the total number of mental healthcare users who qualify for the alternative dispute resolution	To inform stakeholders and public about the total number of mental healthcare users who qualify for the alternative dispute resolution	**Media coverage:** • Power FM 98.7 • Polity • Shafaqna • MSN • News24 • eNCA • Eye Witness News • MetroTell • South-Africa.direct.news • Medical Brief • TimesLive • AfricanSeer • SA News • IOL • Global advisors • The New Age • Sowetan • The Times Live

OHSC and the Health Ombud websites

As part of enhancing the image, access and increase stakeholder engagement, the OHSC website was revamped with a new look and feel in October 2017. The content of the website was updated on a regular basis to ensure that the website remains current and relevant with "fresh" content. The OHSC website attracted 19 031 users between April 2017–March 2018. The new Health Ombud website was developed to promote the services offered by the Health Ombud and went live in July 2017. The health Ombud website attracted 605 users between August 2017 March 2018.

Promotional material

A variety of promotional material translated in eleven (11) official languages was developed to assist in the promotion and awareness creation on the role and function of the OHSC and Health Ombud.

Challenges

The limited number of funded posts within the unit is a challenge and impacts on the delivery of communication activities. This has proved to have adverse effects on the office's capacity to effectively fulfil its mandate, especially during the campaigns.

Moving forward

Adequate budget is needed to increase visibility and public awareness of the functions of the OHSC, particularly in rural and impoverished areas. Adequate budget will enable the Office to embark on the following campaigns to promote its services during 2018/9 financial year:

- Public Service Announcement (PSA) /Television advertising campaign
- Comic story campaign
- Radio advertising campaigns

- Billboard campaigns
- Roadshows in deep rural areas
- Community events
- Seminars with stakeholders
- OHSC exhibitions in external platforms and partner events

Table 7: Performance against allocated budget: Programme 1: Administration

Programme	Budget	Actual Expenditure	(Over)/Under Expenditure
Administration	50 114 392	49 691 934	422 458
Total	**50 114 392**	**49 691 934**	**422 458**

PROGRAMME 2: COMPLIANCE INSPECTORATE, CERTIFICATION AND ENFORCEMENT

Programme purpose

To manage the inspection of health establishments in order to assess compliance with national health system's norms and standards as prescribed by the Minister, certify health establishments as compliant or non-compliant with prescribed norms and standards and take enforcement action against non-compliant health establishments.

Table 8: Strategic objectives for Compliance Inspectorate, Certification and Enforcement

Strategic Objective 2.1	**Inspect regulated (public and private) health establishment for compliance with prescribed norms and standards at least every 4 years**
Objective statement	Compliance with acceptable standards of quality and safe healthcare delivery in public and private sector HEs are monitored and inspected at least every four years, and relevant action is taken
Indicator	# and % of public sector clinics, CHCs and hospitals inspected annually by the OHSC
Baseline (2016/17)	18.2%
Target (2015-20)	20%
Indicator	# and % of private sector clinics, CHCs and hospitals inspected annually by the OHSC
Baseline (2016/17)	0%
Target (2018-20)	30%

Strategic Objective 2.2	**Certify HEs that are compliant with prescribed norms and standards**
Objective statement	HEs that comply with prescribed norms and standards receive certificate of compliance within 60 days of inspection
Indicator	Procedures for certification process developed and implemented
Baseline (2016/17)	New Indicator
Target (2015-20)	Certification procedures
Indicator	% of compliant establishments certified by the OHSC within 60 days after the final inspection report
Baseline (2016/17)	0%
Target (2018-20)	100%

Strategic Objective 2.3	**Effect enforcement action against persistently non-compliant HEs**
Objective statement	Enforcement action is taken against persistently non-compliant HE
Indicator	Procedures for timely enforcement action developed and implemented
Baseline (2016/17)	New Indicator
Target (2015-20)	Enforcement procedures
Indicator	% persistently non-compliant health establishments for which enforcement action is initiated within 10 days from date of receipt of re-inspection or EWS report
Baseline (2016/17)	38.9%
Target (2015-20)	100%

Strategic Objective 2.4	Publish information about compliance status of HE with norms and standards
Objective statement	Information relating to compliance with norms and standards by HE is published annually
Indicator	# of inspections conducted, remedial recommendations issued and compliance status of health establishments (annual inspection report)
Baseline (2016/17)	1
Target (2015-20)	5

Overview of deliverables vs. achievements

A total of 923 public sector health establishments were inspected in the 2017/18 financial year. This represents just over 24% of public sector health establishments in the country and exceeded the target of 18%. With respect to certification and enforcement, draft procedures were developed as per the planned target.

Table 9 displays the actual performance against the planned targets for the strategic objectives of Programme 2.

Table 9: Performance against strategic objectives for the 2017/18 financial year

PROGRAMME 2: COMPLIANCE INSPECTORATE, CERTIFICATION AND ENFORCEMENT						
Strategic objective	**Performance indicator**	**Actual achievement 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to actual achievement for 2017/18**	**Comment on deviations**
2.1 Inspect regulated (public and private) health establishment for compliance with prescribed norms and standards at least every 4 years	% of public sector health establishments inspected annually by the OHSC	18.2%	18%	**24,18% (923 of 3816)**	+ 6,18% (234 of 3816)	Year to date achievement is 923 (24.18%) health establishments inspected against the annual target of 689 (18%) The OHSC was able to migrate from the manual inspection tool to an electronic tool and this has improved the time spent in conducting inspections
2.2 Inspect regulated (public and private) health establishment for compliance with prescribed norms and standards at least every 4 years	# and % of private sector health establishment inspected annually by the OHSC	0%	-	-	-	No planned target

PROGRAMME 2: COMPLIANCE INSPECTORATE, CERTIFICATION AND ENFORCEMENT						
Strategic objective	**Performance indicator**	**Actual achievement 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to actual achievement for 2017/18**	**Comment on deviations**
2.3 Certify HEs that are compliant with prescribed norms and standards	Procedures for certification process developed and implemented	New indicator	Certification procedures	Draft certification procedures have been developed	In a process of approval and finalisation	Existing procedures were reviewed and finalised by March 2018 The certification procedure was developed and will form part of Chapter 5 of Procedural Regulations The process to appoint a service provide to design and print certificates of compliance has been finalised and the template of the certificate has been designed
2.4 Certify HEs that are compliant with prescribed norms and standards	% compliant HEs certified within 60 days after the final inspection report	0%	-	-	-	No planned target
2.5 Effect enforcement action against persistently non-compliant HEs	Procedures for timely enforcement action developed and implemented	New indicator	Enforcement procedures	Draft procedures for timely enforcement have been developed	Awaiting final approval before publication in the Gazette and implementation	The revised Enforcement Policy was developed and is undergoing the process of finalisation

PROGRAMME 2: COMPLIANCE INSPECTORATE, CERTIFICATION AND ENFORCEMENT						
Strategic objective	**Performance indicator**	**Actual achievement 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to actual achievement for 2017/18**	**Comment on deviations**
2.6 Effect enforcement action against persistently non-compliant HEs	% persistently non-compliant health establishments for which enforcement action is initiated within 10 days from date of receipt of re-inspection or Early Warning System report	New indicator	-	-	-	No planned target
2.7 Publish information about compliance status of HE with norms and standards	# of reports on inspections conducted, remedial recommendations issued and compliance status of health establishments (annual inspection report)	1	1	**1**	-	The 2016/17 annual inspection report has been finalised and undergoing the approval process

Key for Actual Achievement Column

- Achieved
- Partially Achieved
- Not Achieved

Inspections

The private sector health establishments could not be inspected for compliance as a result of the unavailability of the prescribed norms and standards. The norms and standards were promulgated on 2 February 2018, with a transition period of 12 months. The OHSC will have the authority to inspect and monitor compliance at all public and private health establishments and enforce compliance starting February 2019.

The implementation of standard operating procedures (SOPs) supported and improved the planned inspections of public sector health establishments. The application of quality control processes/measures such as intra-team validation strengthened these outcomes.

The major steps in the inspection process (pre, during, and post inspections), follow a logical cycle which results in continuous improvement in the tools and methods of the unit. Each major step (Plan, Do, Check and Act) has a series of sub-steps which can be defined and placed within a standard operating procedures type document or Inspectors Manual. The inspection process flow is shown in Figure 5.

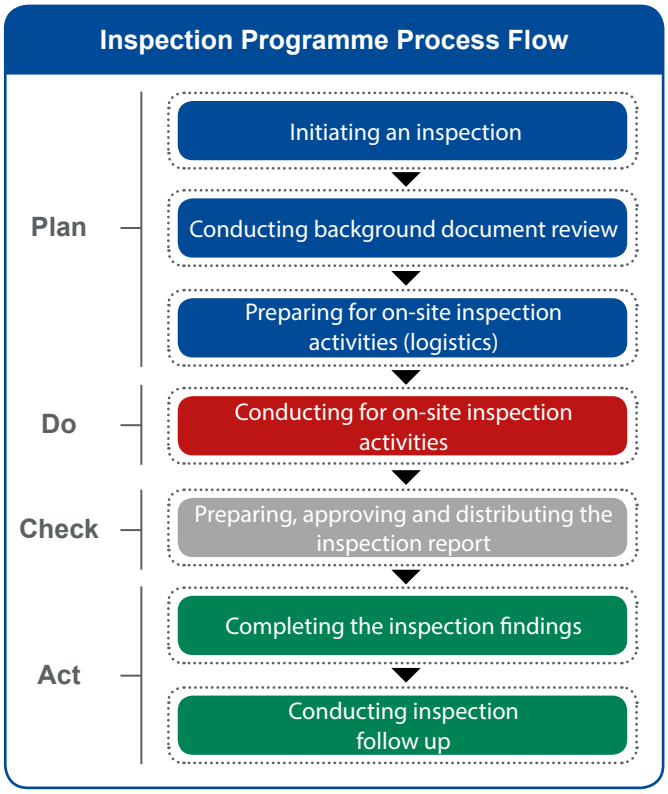


Figure 5: The inspection process flow in line with ISO 90011:2002.

Table 12 below demonstrate that of the 923 health establishments inspected, 887 health establishments were clinics and 36 were hospitals. The low number of hospitals inspected was due to the electronic tool for hospitals only being ready for use in the final quarter of the financial year. No CHCs were inspected due to the CHC electronic tool not being ready for use within the financial year. The Eastern Cape had the highest number of health establishments inspected with 213 and Northern Cape the least with 33. A number of factors resulted in provincial differences in the number of health establishments inspected including the total number of facilities in the province, the facilities inspected by the OHSC in the previous years and logistical issues. The 2017/18 routine inspections coverage by province and facility type is shown in Table 10.

Table 10: Coverage for routine inspections conducted in 2017/18

	EC	FS	GP	KZN	LP	MP	NW	NC	WC	TOTAL
Clinics	208	65	92	166	117	66	84	31	58	887
CHC	0	0	0	0	0	0	0	0	0	0
District Hospital	3	1	5	5	3	3	2	2	1	25
Regional Hospital	0	1	0	2	0	2	1	0	1	7
Provincial Tertiary	1	0	0	0	0	0	0	0	0	1
Central Hospital	1	1	1	0	0	0	0	0	0	3
Total	213	68	98	173	120	71	87	33	60	923

Coverage of routine inspections = 923/3816*100=24.18% Denominator Total number of HE

Training and accreditation

The formal training of the inspectors started at the beginning of the financial year which resulted in the delayed inspections during the first quarter of the 2017/2018 financial year. Despite the delays, the inspections coverage was increased during the subsequent quarters to make up for the time lost during the first quarter. Furthermore, in-house training was continuously given to inspectors throughout the financial year.

Healthcare Risk Waste Management Audits

During the last quarter of the 2017/18 financial year, the OHSC commenced with audits of health establishments for healthcare risk waste management. A total of 78 health establishments were audited nationally. Facilities were audited in all nine provinces.

The 78 health establishments included health establishments at all levels of care. The National Department of Health audit schedule for 2017/18 as well as logistical issues were taken into account when determining the number of facilities to audit in each province.

The number of facilities audited by province and level of care are shown in Table 11 below.

Table 11: Facilities audited for healthcare risk waste management by level of care

	EC	FS	GP	KZN	LP	MP	NW	NC	WC	TOTAL
Clinics	3	4	2	0	0	2	0	6	0	17
CHC	3	2	1	1	0	8	2	1	0	18
District Hospital	1	1	3	0	0	3	1	0	2	11
Regional Hospital	0	0	2	4	0	2	1	0	1	10
Provincial Tertiary	1	1	1	0	2	1	0	1	1	8
Central Hospital	1	1	2	2	0	0	0	0	1	7
Specialised Hospitals*	0	1	0	2	0	1	0	0	3	7
Total	**9**	**10**	**11**	**9**	**2**	**17**	**4**	**8**	**8**	**78**

*Includes psychiatric, tuberculosis and chronic diseases hospitals

Achievements

- The Inspectorate unit conducted 923 inspections using the inspection tools at various public health establishments during the 2017/2018 financial year
- Forty (40) inspectors completed training and were declared as Peace Officers in terms of section 334 of the Criminal Procedure Act, 1977 (Act No. 55 of 1977). The OHSC was able to migrate from the manual clinic and hospital inspection tools to electronic clinic and hospital tools and this has improved the time spent in conducting inspections.
- Certification and enforcement procedures have been developed and are undergoing the process of finalisation.
- Six (6) additional inspectors as well as a medical specialist were appointed during the year under review.
- The OHSC appointed ten (10) Community Services: Environmental Health Practitioners (CSEHPs) on a one-year contract. The CSEHPs are placed within the Specialised Unit of the Compliance Inspectorate of the OHSC.
- The training programme for the CSEHPs was developed in collaboration with the National Department of Health which included sessions on the relevant legislation, norms and standards, and use of the audit tool.
- The Community Services: Environmental Health Practitioners Team of the OHSC conducted healthcare risk waste audits of a total of 78 health establishments across 9 provinces.

Challenges

- The inspection teams encountered several challenges in fulfilling the OHSC's mandate relating to inspections. The delayed promulgation of the norms and standards led to a limitation of not being able to inspect private health establishments as well as the inability to enforce compliance on health establishments.
- The Inspectorate Unit also had to re-route scheduled inspections in certain districts/provinces due to floods and riots/protests.

Moving forward

The OHSC has always conducted inspections based on the National Core Standards developed by the National Department of Health. Following the promulgation of the norms and standards in February 2018, the OHSC is in the process of aligning the inspections to the promulgated norms and standards. The Early Warning System (EWS) will play a significant role in enabling the Inspectorate to detect, monitor and pre-empt compliance issues before or as they occur, in turn playing a role in lightening the burden on the Complaints Management Unit.

The Procedural Regulations pertaining to the functioning of the OHSC and handling of complaints by the Ombud required the OHSC to develop a Code of Conduct for the Inspectors as well as the Enforcement Policy outlining the enforcement approach to be followed. The OHSC has finalised the development of the Inspector's Code of Conduct and Enforcement Policy which will be published in the Government Gazette and website for public consumption.

The OHSC is working on the proposed amendments to the Procedural Regulations pertaining to the functioning of the OHSC and handling of complaints by the Ombud to include the certification process to be followed. In terms of the NHA, the OHSC will be imposing, as part of enforcement, on persistently non-compliant health establishments. The OHSC will also be working on the proposed schedules of fines, to be imposed as an enforcement measure, and recommended to the Minister of Health for consideration and prescription.

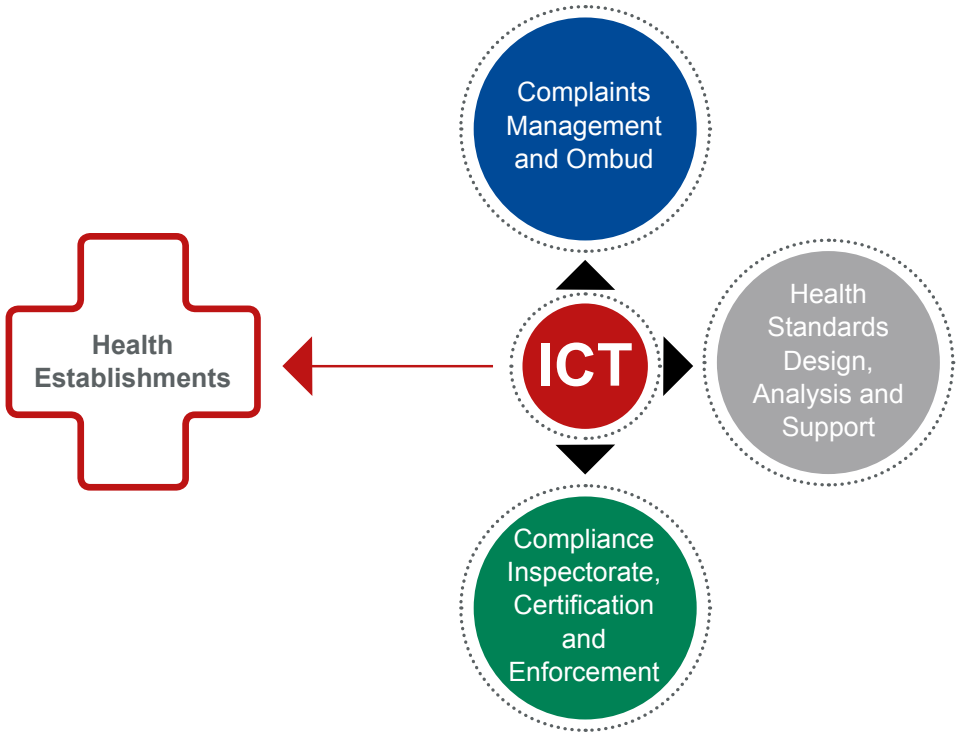


Figure 6: Illustrates the linkage between ICT, Compliance Inspectorate, Complaints Management and HSDAS Units within the OHSC

The Compliance Inspectorate, Certification and Enforcement budget for the 2017/18 financial year was R49 110 159. The actual expenditure was R512 381 below the budgeted amount. Performance against allocated budget is shown in Table 14:

Table 12: Performance against allocated budget: Programme 2: Compliance Inspectorate, Certification and Enforcement

Programme	Budget	Actual Expenditure	(Over)/Under Expenditure
Compliance Inspectorate, Certification and Enforcement	49 110 159	48 597 778	512 381
Total	**49 110 159**	**48 597 778**	**512 381**

PROGRAMME 3: COMPLAINTS MANAGEMENT AND OMBUD

Programme purpose

To consider, investigate and dispose of complaints relating to the non-compliance with prescribed norms and standards in a procedurally fair, economical and expeditious manner.

Description of strategic objectives

Table 13: Strategic objectives for Complaints Management and Ombud

Strategic objective 3.1	Create an accessible mechanism to lodge complaints with the OHSC
Statement	An accessible mechanism by which Complaints can be lodged with the OHSC is in place
Indicator	Fully functional Call Centre system for receiving complaints
Baseline (2016/17)	Call centre functional
Target (2015-20)	Call Centre Functional

Strategic objective 3.2	Investigate and respond to complaints or concerns about non-compliance with norms and standards effectively
Statement	Complaints regarding non-compliance with norms and standards are effectively investigated and responded to
Indicator	Procedures for receiving and managing complaints developed
Baseline (2016/17)	Procedures in developmental phase
Target (2015/20)	Procedures for receiving and managing complaints in place
Indicator	% of complaints lodged with the OHSC investigated and responded to within six months
Baseline (2016/17)	45.3% (restated)
Target (2015-20)	80%

Strategic objective 3.3	Issue findings and recommendations about complaints of non-compliance with prescribed norms and standards within six months
Statement	Findings and recommendations relating to complaints of non-compliance with prescribed norms and standards are issued within 6 months
Indicator	System and procedures for investigation of complaints set up
Baseline (2016/17)	Procedures in developmental phase
Target (2015/20)	System set up and functional
Indicator	% of investigations finalised by the Ombud within 6 months from the lodgement date
Baseline (2016/17)	25%
Target (2015-20)	80%

Strategic objective 3.4	Communicate and monitor recommendations made by the Ombud
Statement	Ombud recommendations about complaints of non-compliance with prescribed norms and standards are communicated to OHSC for monitoring and follow up
Indicator	Procedures for communication and monitoring of Ombud recommendations set up and functional
Baseline (2016/17)	Procedures in developmental phase
Target (2015/20)	System set up and functional
Indicator	% of Ombud recommendations monitored for implementation by health establishment within six months of tabling to OHSC
Baseline (2016/17)	100%
Target (2015-20)	80%

Overview of deliverables vs. achievements

Table 14: Performance against strategic objectives for the 2017/18 financial year

PROGRAMME 3: COMPLAINTS MANAGEMENT AND OMBUD						
Strategic objective	**Perfor-mance indicator**	**Actual achieve-ment 2016/17**	**Planned target 2017/18**	**Actual achieve-ment 2017/18**	**Devia-tion from planned target to actual achievement for 2017/18**	**Comment on deviations**
3.1 Create an acces-sible mechanism to lodge complaints with the OHSC	Fully functional Call Centre system for receiving complaints	Call Centre functional	-	-	-	Achieved in 2016/17

PROGRAMME 3: COMPLAINTS MANAGEMENT AND OMBUD						
Strategic objective	**Performance indicator**	**Actual achievement 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to actual achievement for 2017/18**	**Comment on deviations**
3.2 Investigate and respond to complaints or concerns about non-compliance with norms and standards effectively	Procedures for receiving and managing complaints developed	Procedures in development phase	-	Procedures for receiving and managing complaints have been developed, approved and are fully operational	Procedures for receiving and managing complaints have been developed, approved and are fully operational	Procedures for receiving and managing complaints were approved in 2017/18
	% of complaints lodged with the OHSC investigated and responded to within six months	45.3% (331/730) (Restated)	70%	55, 3% (621/1122)	**- 28.2%**	Increase in the number of complaints from 730 in 2016/17 to 1122 in 2017/18, this would directly require an increase in the number of human resources Delayed responses from health establishments to OHSC requests for information on complaints
3.3 Issue findings and recommendations about complaints of non-compliance with prescribed norms and standards within six months	System and procedures for investigation of complaints set up	-	-	-	-	No planned target
	% of investigation finalised within 6 months by the Ombud	25% (1/4)	70%	0%	**- 70%**	Five cases are at various stages of investigation process. Investigation process is prolonged by follow up of information from responsible parties

PROGRAMME 3: COMPLAINTS MANAGEMENT AND OMBUD						
Strategic objective	**Performance indicator**	**Actual achievement 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to actual achievement for 2017/18**	**Comment on deviations**
3.4 Communicate and monitor recommendations made by the Ombud	Procedures for communication and monitoring of Ombud recommendations set up and functional	Procedures in development phase	-	Procedures for communication and monitoring of Ombud recommendations were approved in 2017/18	Procedures for communication and monitoring of Ombud recommendations were approved in 2017/18	Procedures for communication and monitoring of Ombud recommendations were approved in 2017/18
	% of Ombud recommendations monitored for implementation by health establishment within six months of tabling to OHSC	100% (18/18)	70%	(13/20) 65%	- 5%	In the period under review, 13 of the 20 recommendations were monitored: Two (2) in Q1 and eleven (11) in Q2 were monitored related to Life Esidimeni report Continuous monitoring pursed in Q3 and Q4. In Q3 recommendation related to the alternate dispute resolution were monitored. The remaining nine have been followed up in the previous financial year with continuous monitoring

Key for Actual Achievement Column

- Achieved
- Partially Achieved
- Not Achieved

Basic Complaints Process

Figure 7 demonstrates the complaint process followed in the Call Centre. A complaint has to be lodged within two years of its occurrence for the Office to investigate it. Complaints may be lodged verbally by visiting OHSC offices, telephonically through the Call OHSC Centre, in writing through e-mail, hand delivery or post. The public is encouraged to lodge complaints with the relevant HE and only approach the OHSC when there are dissatisfied with the outcome or the complaint remains unresolved after 25 working days. HEs are expected to follow their established complaints management process in resolving complaints. When lodging a complaint, the complainant should provide the OHSC with a detailed description of the complaint which include the date of incident, actions taken by the HEs to address the complaint and any supporting evidence if available. Once a complaint has passed the admissibility criteria, it is either resolved in the Call Centre, or assigned for screening or escalated for investigation.

Although the Call Centre was launched in November 2016, the Complaints Investigations Unit was established in March 2017 with the appointment of a senior investigator healthcare cases, senior investigator legal cases and three (3) Deputy Directors were appointed later during 2017. During the 2017/18 financial year, the Complaints Management and Health Ombud units comprised of seventeen (17) posts; twelve (12) of these posts resided in the Complaints Centre and Assessment and five (5) in the Investigation Unit. An Intern was appointed in September 2017 to support the Investigation Unit with Office Administrative duties.

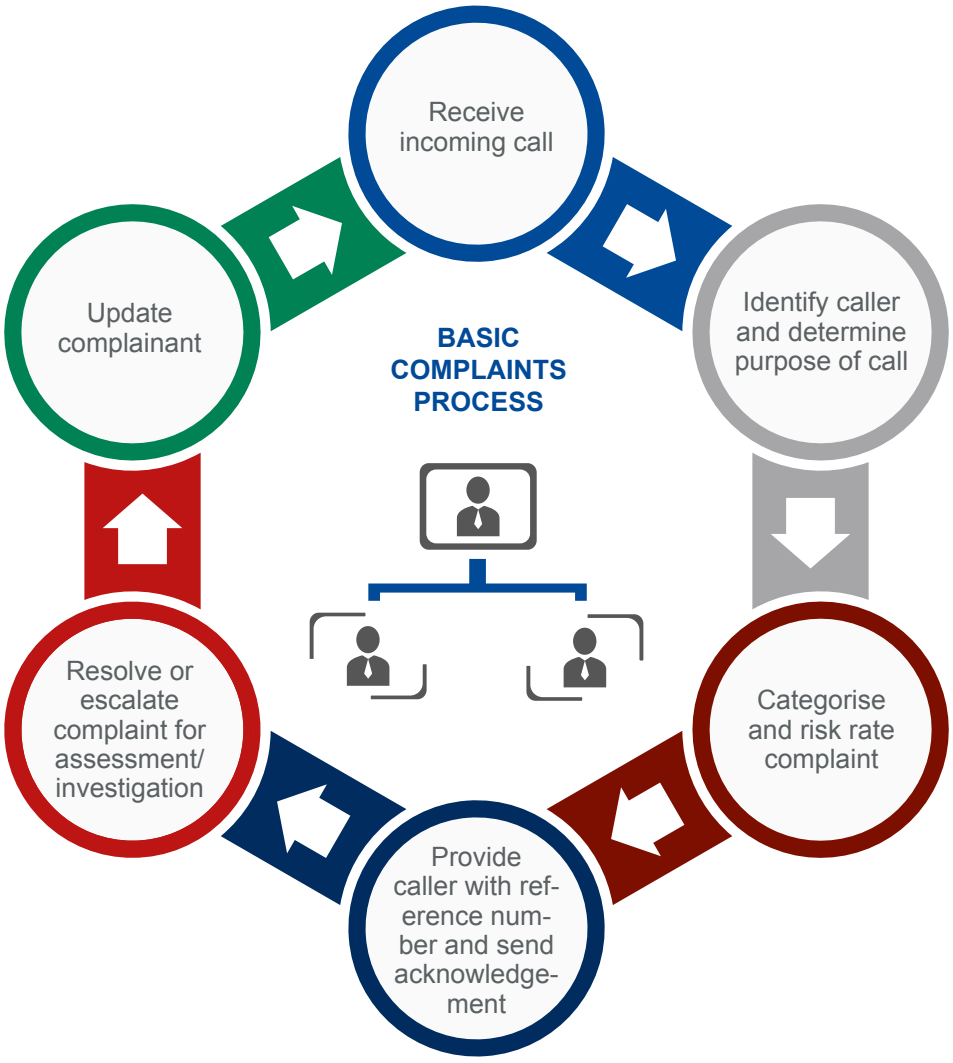
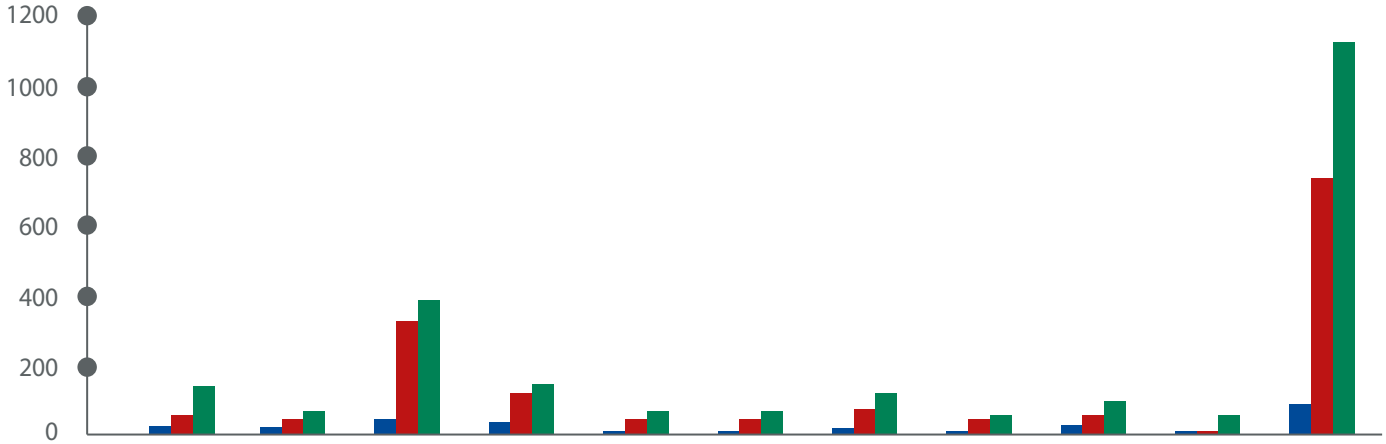


Figure 7. Basic Complaints Process

Complaints Data

Table 15: Number of complaints received per province by financial year (2015/16 to 2017/18)



	EC	FS	GP	KZN	LP	MP	NW	NC	WC	UN-CLASSI-FIED	TOTAL
2015/16	3	2	38	18	0	0	3	1	8	0	73
2016/17	53	34	317	116	35	45	61	26	43	0	730
2017/18	129	49	378	138	102	57	106	41	83	39	1122

The number of complaints received by the OHSC has been increasing over the financial years. Most of complaints received were from Gauteng Province with 38 complaints lodged with the OHSC Call Centre in 2015/16 which increased to 317 in 2016/17 and 378 in 2017/18. KwaZulu-Natal Province had the second highest number of complaints received in 2015/16, 2016/17 and 2017/18. North West is the third highest province with 61 complaints in 2016/17 and 106 in 2017/18. A similar trend in the increasing number of complaints was observed in all other provinces. A total of 39 complaints received by the OHSC were not classified by province due to complainants not stating the name of the health establishment and province, and/or without leaving contact details. In some instances, complainants do not respond to follow up communication by the OHSC. The OHSC's performance in handling the exponential increase in number of complaints received indicates the impact of organizational visibility efforts that have been strengthened over the years.

Table 16: Complaints classified by National Core Standards Domains

Province	Patient Rights	Patient Safety, Clinical Governance & Patient Care	Clinical Support Services	Public Health	Leadership and Corporate Governance	Operational Management	Facilities & Infrastructure	Outside the scope of the Office	TOTAL
Eastern Cape	72	46	8	1	1	0	1	0	129
Free State	24	17	3	0	1	1	1	2	49
Gauteng	208	136	23	3	0	0	3	5	378
KwaZulu-Natal	78	44	9	2	1	1	0	3	138
Limpopo	63	27	7	1	2	1	1	0	102
Mpumalanga	35	20	0	1	1	0	0	0	57
North West	64	34	4	1	1	0	0	2	106
Northern Cape	22	15	3	0	0	0	0	1	41
Western Cape	41	32	8	1	0	0	0	1	83
Unclassified	13	16	1	1	2	0	0	6	39
TOTAL	**620**	**387**	**66**	**11**	**9**	**3**	**6**	**20**	**1122**

Table 16 above depicts complaints received on the 7 Domains of the NCS. Of the 1 122 complaints received, the leading causes of dissatisfaction in all provinces were related to Patients' Rights (620), Patient Safety, Clinical Governance & Patient Care (387) and Clinical Support Services (66)., Public Health (11), Leadership and Corporate Governance (9), Operational Management (3) and Facilities & Infrastructure (6) issues were the least complained of all complaints. The Office has also received matters that do not fall within its mandate (20). All such cases are channelled to the relevant organisations for further processing and handling.

Complaints Lodged vs Resolved in Public Hospitals

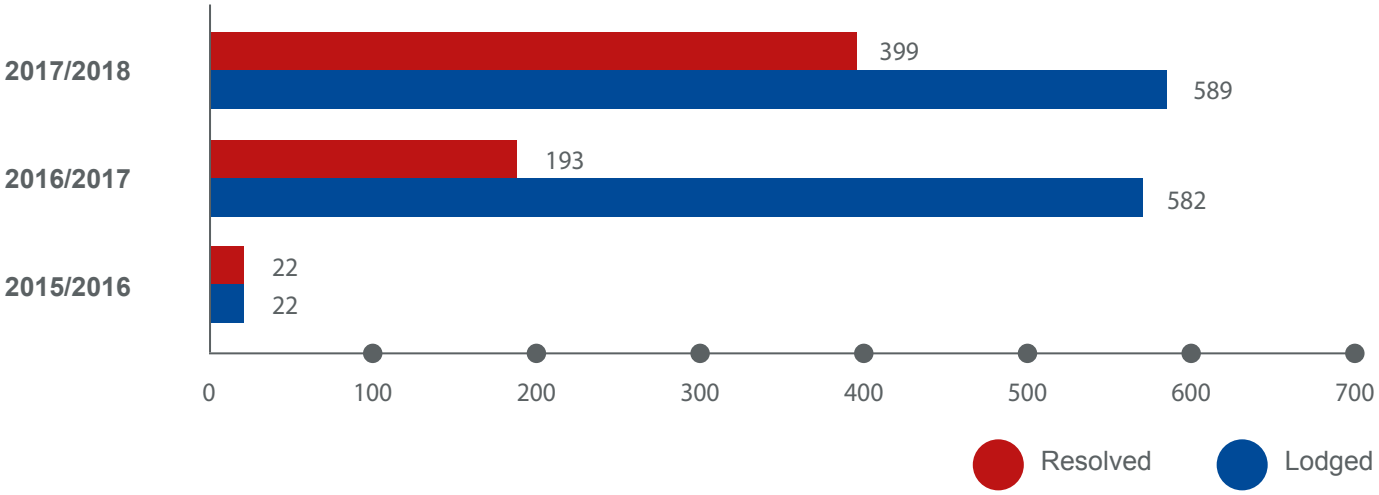


Figure 8. Number of complaints lodged vs complaints resolved in public hospitals

The number of complaints lodged to the OHSC Call Centre relating to public hospitals increased exponentially over the financial years. Most of complaints received by the OHSC were in 2017/18 financial with 589 complaints lodged. Of these, 399 (57.5%) complaints were resolved. This increase demonstrates a need for additional human capital to effectively manage the demands and to build public confidence.

Complaints Lodged vs Resolved in Public Clinics

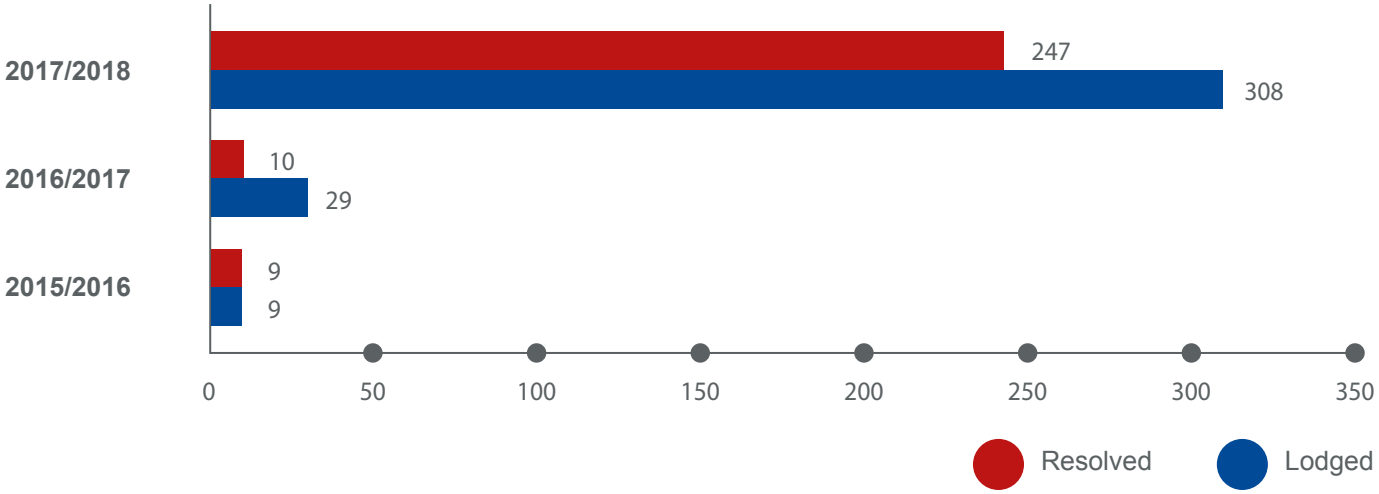


Figure 9. Number of complaints lodged vs complaints resolved in public clinics

The number of complaints lodged through the OHSC Call Centre relating to public clinics have been increasing over the financial years. In 2017/18 financial, the increase was very substantial with 308 complaints lodged. Of these, a total of 247 (80%) complaints were resolved. Complaints from public clinics constituted more than half of complaints from public hospitals.

Complaints Lodged vs resolved in Private Hospitals

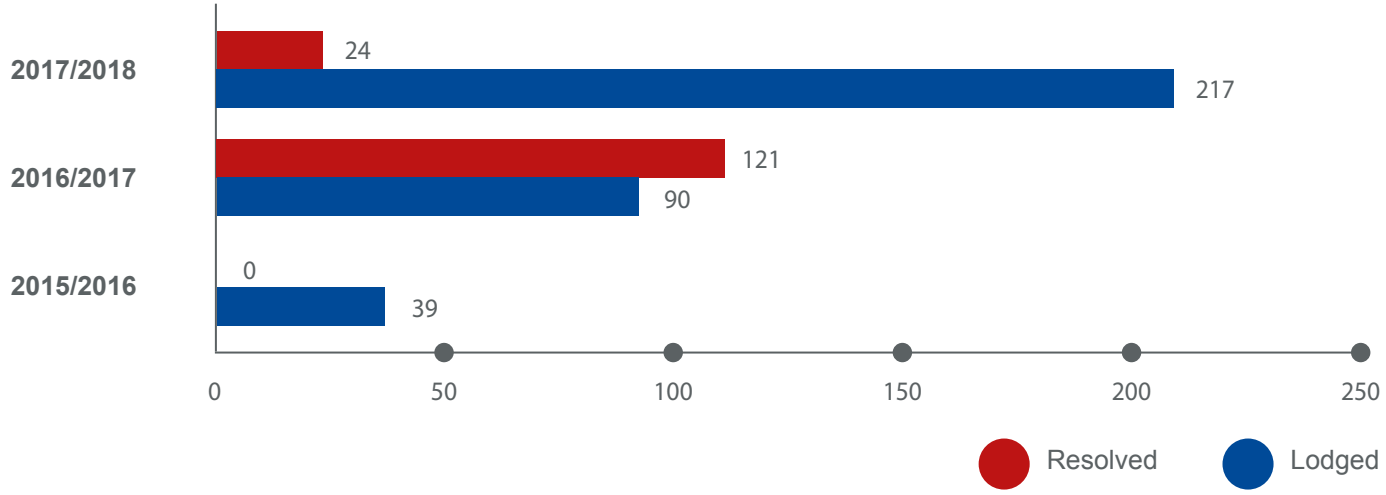


Figure 10. Number of complaints lodged vs complaints resolved in private hospitals

The number of complaints lodged through the OHSC Call Centre relating to private hospitals increased throughout the three financial years. The OHSC will strengthen its effort to increase the number of complaints resolved from private hospitals as 24 out of 217 (11%) lodged complaints were resolved in 2017/18. However, 37 of these were resolved in 2016/17 were carried over from 2015/16.

Complaints Lodged vs Resolved in Private Clinics

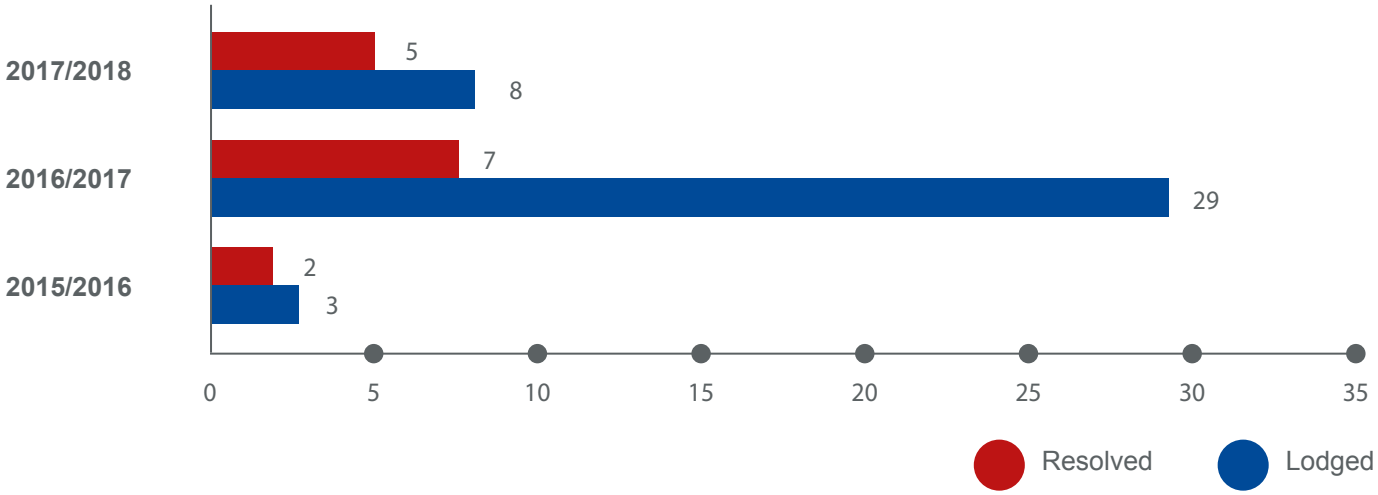


Figure 8. Number of complaints lodged vs complaints resolved in private clinics

The number of complaints lodged through the OHSC Call Centre relating to private clinics increased from 3 in 2015/16 to 29 in 2016/17. In 2017/18, a decrease (8) in the number of complaints was observed. The number of complaints from private clinics is low. Of the complaints lodged in 2017/2018, the organization was able to resolve 5 out of 8(62.5%) lodged complaints.

Achievements

Procedures for Complaints Handling, Investigation and Communication of Ombud findings and recommendations were approved in the year under review. The Call Centre functionality has been continuously maintained and there has been no downtime experienced. The Call Centre operated five days a week between 08:00 and 17:00. Continuous improvements are implemented to the OHSC Complaints Management System based on challenges identified during operations. Continuous training provided was provided for all users of the Complaints Management System.

The investigation Unit was fully operationalised with the appointment of four investigators to support the activities of the OHSC and55 cases were referred for investigation in the financial year. Of the 55 complaints, 16 (29%) were subjected to onsite investigation and are in the report writing phase. Of the 55 complaints, 13 (23.6%) were related to the Private Health Sector, 1 (1.8%) to Military and 41 (74.6%) to Public Health Sector. Gauteng Province was leading in the investigations with 26 (47.3%), followed by Eastern Cape with 7 (14.5%), Western Cape with 5 (9.1%), North West and KwaZulu-Natal at a tie with 4 (7.3%) cases each, Mpumalanga 3 (5.5%), Limpopo and Free State with 2 (3.6%) each, and the Northern Cape with 1 (1.8%) case.

Two (2) Memoranda of Understanding were entered into with the Public Service Commission and Public Protector on the 27 November 2017 and 28 February 2018 respectively. The purpose was to enhance cross-referral, reporting of complaints and curb duplication in managing complaints.

Workshops on the OHSC legal expectations of managing complaints were conducted in Mpumalanga and Gauteng Provinces. This is part of an ongoing process to ensure that provinces become responsive to requests made by the Office on complaints received. The remaining provinces will be targeted in the 2018/19 financial year.

Challenges

The programme experienced a high vacancy rate due to unfunded posts:52% in the Complaints Centre and Assessment and 50%, in the Investigation Unit. The vacancy rates compounded the finalisation of complaints within the expected timeframe.

HEs delays in responding to requests for information requested by the Office on complaints further exacerbated the resolution of complaints.

The OHSC received complaints from legal representatives acting on behalf of complainants. This may lead increase risk of litigation.

Moving forward

In 2018/2019, the Complaints Management Programme intends to:

1. Review of the complaints management processes to align with the Norms and Standards Regulations Applicable to Different Categories of HEs;
2. Training to increase skill base of the Complaints Management Programme human capital;
3. Conduct joint investigations with the MOU signatories. This will assist in maximising the human resource capacity;
4. National Complaints Management Workshop to provide guidance and support on OHSC requirements to complaints management;
5. Integration of Short Messaging Service (SMS) for Call Centre to ensure effective communication with communities during the receipt and management of their complaints; and
6. Advocate for additional funds to increase human capital in the Complaints Management Programme.

Table 17: Performance against allocated budget: Programme 3: Complaints Management and Ombud

Programme	Budget	Actual Expenditure	(Over)/Under Expenditure
Complaints Management and Ombud	14 769 975	16 222 130	(1 452 155)
Total	**14 769 975**	**16 222 130**	**(1 452 155)**

PROGRAMME 4: HEALTH STANDARDS DESIGN, ANALYSIS AND SUPPORT

Programme purpose

To provide high-level technical, analytical and educational support to the work of the OHSC in relation to research of norms and standards; guidance on compliance with norms and standards, analysis of data collected and the establishment of communication networks with other stakeholders.

Description of strategic objectives

Table 18: Strategic objectives for Health Standards Design, Analysis and Support

Strategic objective 4.1	All health establishments obligated or regulated by prescribed norms and standards to submit annual returns before the end of March each year for purposes of monitoring and inspections
Statement	All HEs obligated by prescribed norms and standards annually submit required data for analysis to determine the profile of each HE
Indicator	System for submission of annual returns by regulated health establishments set up and functional
Baseline (2016/17)	System set up
Target (2015-20)	System set up and functional
Indicator	% of annual returns analysed within 60 days to determine the profiles of HE
Baseline (2016/17)	New indicator
Target (2015-20)	80%

Strategic objective 4.2	Recommend norms and standards for different types of HEs for submission to the Minister for promulgation
Statement	Norms and standards for different types of HEs are recommended to the Minister for promulgation
Indicators	Number of norms and standards recommended to the Minister annually
Baseline (2016/17)	1
Target (2015-20)	3

Strategic objective 4.3	Provide guidance on compliance with norms and standards for regulated HEs
Statement	National, provincial, district and municipal authorities and hospital groups that have completed the OHSC training of trainers programme
Indicators	# of relevant authorities responsible for support to health establishments that have received guidance on compliance with norms and standards
Baseline (2016/17)	60% (Restated)
Target (2015-20)	14

Strategic objective 4.4	Monitor early-warning reports of situations of potential risk from HEs or users to prioritise inspections
Objective statement	Appropriate action (reporting, inspection, investigation) is taken against HEs identified as high risk by early warning reports
Indicator	Fully functional surveillance system that reports on potential risks to compliance
Baseline (2016/17)	-
Target (2015-20)	System set up and functional
Indicator	% of health establishments identified as high risks that are referred to the appropriate division/unit within OHSC
Baseline (2016/17)	New indicator
Target (2015-20)	100%

Overview of deliverables vs. achievements

Table 19: Health Standards Design, Analysis and Support

PROGRAMME 4: HEALTH STANDARDS DESIGN, ANALYSIS AND SUPPORT						
Strategic objective	**Performance indicator**	**Actual achievement 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to actual achievement for 2017/18**	**Comment on deviations**
4.1 All health establishments obligated or regulated by prescribed norms and standards to submit annual returns before the end of March each year for purposes of monitoring and inspections	System for submission of annual returns by health establishments set up	System set up	System set up	**System set up**	-	The system for submission of annual returns has been set up and is fully functional. Various provinces were trained on the updated Annual Returns system in Q4 of 2017/18

PROGRAMME 4: HEALTH STANDARDS DESIGN, ANALYSIS AND SUPPORT						
Strategic objective	**Performance indicator**	**Actual achievement 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to actual achievement for 2017/18**	**Comment on deviations**
4.2 All health establishments obligated or regulated by prescribed norms and standards to submit annual returns before the end of March each year for purposes of monitoring and inspections	% of annual returns analysed within 60 days to determine their profile on health establishments	New indicator	-	-	-	Norms and Standards not promulgated, no planned target
4.3 Recommend norms and standards for different types of HEs for submission to the Minister for promulgation	Number of norms and standards recommended to the Minister annually	1	1	**1**	-	Norms and standards for General Practice have been submitted to the Minister for consideration
4.4 Provide guidance on compliance with norms and standards for regulated HEs	Number of relevant authorities responsible for supporting HEs that have received guidance for compliance with norms and standards	60% (Restated)	8	**8**	None	Note"The indicator was changed from percentage to number to provide more clarity on the actual performance relating to the number of relevant authorities supported Guidance was provided to relevant authorities (Provinces) to enhance the relevant authority's understanding and interpretation of standards and measurements tools

PROGRAMME 4: HEALTH STANDARDS DESIGN, ANALYSIS AND SUPPORT						
Strategic objective	**Performance indicator**	**Actual achievement 2016/17**	**Planned target 2017/18**	**Actual achievement 2017/18**	**Deviation from planned target to actual achievement for 2017/18**	**Comment on deviations**
4.5 Monitor early warning reports of situations of potential risk from HEs or users to prioritise inspections	Fully functional surveillance system that reports on potential risks to compliance	New indicator	System set up and functional	System in the development phase	Data feeds to be linked to the Early Warning System (EWS)	Data feeds for the district health information system (DHIS) were developed to import DHIS data to the EWS database. The data feeds from Inspection findings and Complaints management data are yet to be linked to the EWS system to enable importing of data to the database
	% of health establishments identified as high risk that are referred to the appropriate division/unit within OHSC	89% (Restated)	100%	**100%**	-	135 High Risk Health Establishments were identified and referred for inspections

Key for Actual Achievement Column

- Achieved
- Partially Achieved
- Not Achieved

Achievements

Health Standards Design and Development

Norms and Standards for General Practice were developed and submitted to the Minister of Health for consideration in the first quarter of the financial year. The inspection tools for Hospitals, Community Health Centre and Clinics were reviewed and updated. Consequently, the electronic database used to generate questionnaires was revised accordingly. The OHSC procured a new database for creating inspections tools and conducting inspections.

Guidance and Support

The OHSC conducted support visits in the following provinces: Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga, North West and Northern Cape and provided guidance to the relevant health authorities on the following:

- Updated inspection tools to communicate areas where changes were made to the measurement.
- Follow-up workshops in four provinces that were used as pilot sites in 2016/17 to communicate updates and to extend the training to the remaining five provinces to train on the Annual Returns System and the submission process.

Annual Returns

Key milestones have been the successful migration of the 2016/17 Annual Returns data from the previous system to the new OHSC Annual Returns Systems. Training on the Annual Returns Systems was conducted in various provinces during the financial year 2017/18. Subsequent to this, HEs will begin to submit annual returns in the first quarter of 2018/19.

Early Warning System

The purpose of the system is to assist the OHSC in identifying potential risk factors to patient safety and respond appropriately before any undesired incidents occur. In the event of an undesired occurrence, the OHSC should be alerted within reasonable time to carry out appropriate action, by either an investigation or a risk-based inspection to determine the level of risk to patient safety. The OHSC relies on self-reported data from the HEs as the timing of reporting is a key factor for the surveillance system. This is done in order to avoid delays in receiving this critical information. Other sources will include, but not limited to inspection data, complaints data and the National Health Information Repository Database (NHIRD). EWS plays an important role in monitoring compliance with norms and standards.

The critical milestones achieved during the reporting period are data feeds which have been developed for routine data, inspections data and complaints data. The EWS system front end which is part of an information system that is directly accessed and interacted with by the user to receive back-end capabilities has been developed. The draft list of EWS indicators has been developed and is at a stage of finalisation. These indicators will aid the monitoring of risk, identification and prioritisation of high risk HEs, contribute to on-going research on areas of risk to patient safety and will enable proactive prediction of risk to prompt corrective action.

The list of EWS indicators contains the following categories of indicators:

- Twelve critical indicators to be reported within 24 hours of the incident include; missing new borns, absconding of patients under 72- hour observation, suicide of an in-patient, radiological service shut down, non-availability of running water for more than 24 hours.
- Sixteen (16) indicators to be reported monthly online by HEs include: patient falls, anaesthetic deaths, hospital-acquired Klebsiella pneumonia, staff vacancy rate and pressure ulcer incidence.
- Nineteen (19) indicators that are linked to inspection measures and generated by inspection database report; and
- Fifteen (15) indicators that are reported by HEs as part of monthly routine data sourced from the National Health Information Repository Database (NHIRD).

Table 20: List of OHSC Early Warning System Indicators

REPORTABLE EVENTS INDICATING DANGER TO THE HEALTH SYSTEM RED			
1. Reporting	**2. Monthly reporting**	**3. National Indicator Data Set (NIDS)**	
1. Missing new borns 2. Absconding of patients under 72- hour observation 3. Suicide of an in-patient 4. Radiological service shut down 5. Non-availability of hand washing soap 6. Acts of harm to staff (violence/physical and sexual assault) 7. Acts of harm to patients (violence/physical and sexual assault) 8. Unavailability of running water for > 24 hours 9. Service disruption due to strikes, political unrest etc 10. Retained foreign body discovered post-surgical procedure 11. Wrong site surgery 12. Death within 24 hours after a surgical procedure	1. Patient falls 2. Anaesthetic deaths 3. Hospital-acquired Klebsiella pneumoniae 4. Pressure ulcer incidence 5. Theatre cases 6. Adverse events 7. Re-admissions 8. Theatre cancellations 9. Waiting time in Emergency Unit 10. Elevator malfunction 11. Disruption of power supply 12. Medicine out of stock- List to be confirmed 13. Staff vacancy rate 13.1 Staff vacancy rate (per category) 13.2 Staff vacancy duration in months (per category) 14. Bed Occupancy in General Neonatal 15. Bed Occupancy in Neonatal ICU 16. Patient waiting time for surgery	Management of Inpatients	1. Inpatients deaths 2. Inpatient bed utilisation rate 3. Average length of stay 4. Expenditure per PDE (Patient Day Equivalent) 5. Inpatient crude death rate
		Maternal and Neonatal	6. Still Birth in Facility (Still Birth in Facility rate) 7. Maternal Death in Facility (Maternal mortality ratio) 8. Delivery in Facility (Delivery in Facility rate) 9. Live Birth in Facility (Total Birth in Facility) 10. Neonatal death in facility rate 11. Early neonatal death in facility rate 12. Perinatal mortality in facility rate
		Quality	13. Complaints received 14. Complaints resolved within 25 working days 15. Complaints resolution rate

REPORTABLE EVENTS INDICATING DANGER TO THE HEALTH SYSTEM RED	
4. Inspection measures	
Domain	**Measure**
Patient Safety / Clinical Governance / Clinical Care	1.1 There is evidence that the establishment monitors its morbidity and mortality statistics and implements improvement programmes to address concerns 1.2 Statistics on common healthcare-associated infections demonstrate that they are being monitored monthly 1.3 The establishment has a procedure for conducting and acting on risk assessments of frail and aged patients 1.4 The establishment has a procedure for the management of patients detained for 72-hour observations 1.5 The establishment has a procedure for conducting and acting on risk assessments of frail and aged patients 1.6 The health establishment has a system for monitoring health acquired infections 1.7 There is evidence that adverse events for the HE are monitored against relevant targets including falls/pressure sores/medication errors 1.8 Security measures are adequate to safeguard new-born and unaccompanied children including restricted access and exit monitoring in wards/identification of new-born/ children and their parents 1.9 In units where children are cared for specific safety precautions are in place to prevent harm e.g. covers on power points/barriers/cot sides/child resistant cupboards/safe water temperature/doors with high handle/window safety catch 1.10 CHECKLIST - Patients peri-operative documents demonstrate that safety checks have been conducted during and after surgery as per WHO guidelines
Leadership and Corporate Governance	1.11 All manager's positions are filled with individuals who have the required qualifications/ competencies and experience
Operational Management	1.12. Recent reports/statistics within the last 12 months show what remedial actions have been taken in the event of an incident of harm to a staff member 1.13. Measures are in place to prevent any incident of harm to staff 1.14. There is evidence that turnaround times for critical stock are set and monitored regularly 1.15. Health risks assessments are conducted in all areas in the health establishment and monitored regularly
Facilities and infrastructure	1.16. Maintenance record reflects that the emergency generator is functional and maintained and the generator is started and run for at least 15-20 minutes weekly 1.17. There is a security system documented in the security policy and in place in the establishment that covers the buildings and premises/grounds 1.18. There is documented evidence that in the event of a power disruption emergency power supply is available in critical clinical areas such as ICU/Theatre/Accident and Emergency 1.19. Security systems are positioned at vulnerable patient areas such as maternity /paediatric / psychiatric and emergency units and access and egress points

Table 20 above depicts the list of early warning indicators and the frequency and methods of collection.

Challenges

The inadequate staff within HSDAS has impacted on the functions within the division relating to data analysis, standards development as well as guidance and support. With more staff, the division will be able to conduct more in-depth and proactive data analysis to provide trends, best practise and areas of concern utilising information gathered during OHSC's inspections. The division would like to set up routine systematic analysis to provide the information required to recommend quality assurance and management systems for the national health system as per the NHA. The guidance and support unit is responsible for providing guidance to public and private healthcare sector staff to better understand quality standards, inspection tools and how to achieve compliance with the requirements contained therein.

Moving forward

In the forthcoming financial year, the OHSC will hold workshops on the regulated norms and standards to communicate the regulations, provide guidance on the intent of the regulations and the interpretation of the measures to the implementers. The submitted annual returns will be analysed within 60 days to inform the inspection strategy, compare the performance of the HEs in relation to their allocated resources, determine contributory factors associated with non-compliance by HEs including identification of quality interventions that need to be escalated accordingly. Provision of guidance and support and the submission of annual return profiles will be extended to the private sector. There is continuous engagement within the OHSC to improve the functionality of the EWS system which will eventually result in the piloting and testing of the EWS indicators.

Table 21: Performance against allocated budget: Health Standards Design, Analysis and Support

Programme	Budget	Actual Expenditure	(Over)/Under Expenditure
Health Standards Design, Analysis and Support	11 716 474	6 931 714	4 784 760
Total	**11 716 474**	**6 931 714**	**4 784 760**

REVENUE COLLECTION

Table 22: Performance against allocated budget

Source of Revenue	Estimate	Actual Amount Collected	(Over)/Under Collection
Government grant	125 711 000	125 711 000	-
Interest received	-	1 542 086	(1 542 086)
In-kind donation	-	8 841 616	(8 841 616)
Total	**125 711 000**	**136 094 702**	**(10 383 702)**

PART C
GOVERNANCE

INTRODUCTION

The OHSC is a schedule 3A public entity under the PFMA, 1999, with a Board appointed by the Minister of Health under the NHA and accountable to the Minister in terms of reporting on the operational activities of the entity. In executing its responsibility for corporate governance within the OHSC, the Board has put in place governance processes, systems and structures to assist in the control, direction and accountability of the entity.

PORTFOLIO COMMITTEE

During the year under review, the OHSC had various meetings with the Portfolio Committee on Health where presentations were made on the Strategic Plan, Annual Performance Plan (2017/18) and Annual Report (2016/17). The Portfolio Committee commended the OHSC for continuing to protect and promote the health and safety of users despite the challenges of promulgation of the norms and standards regulations. The Portfolio Committee also commended the OHSC for the incisive efforts it took in making itself visible and accessible to especially the historically marginalised members of the public.

EXECUTIVE AUTHORITY

During the year under review, the OHSC submitted the following reports/returns to the executive authority as required by the PFMA:

- Quarterly performance information reports and management accounts for the year 2017/18.
- 2018/19 Annual Performance Plan and Budget, including the Materiality and Significance Framework.
- Results on compliance inspections conducted on HEs in the public sector.

The promulgation of the norms and standards in 2017/18 by the Minister of Health will enable the OHSC to inspect all HEs, both private and public, as well as ensure the certification and enforcement thereof. All these interventions will be in support of the broader programme on the National Health Insurance (NHI).

These interventions and interactions will enable HEs to determine their readiness for the introduction of the NHI.

THE ACCOUNTING AUTHORITY/BOARD

Ms. OA Montshiwa
Acting Chairperson

Prof. EL Stellenberg
Board Member

Prof. S Whittaker
Board Member

Ms. KS Mahlangu
Board Member

Dr. BEW Masuku
Board Member

Ms. S Barsel
Board Member

Prof. MN Chetty
Board Member

Mr. OMB Pharasi
Board Member

Mr. AK Hoosain
Board Member

INTRODUCTION

The Board is appointed by the Minister of Health in terms of the National Health Act, 2003. Our Board remains effective and responsible for the overall leadership, transparency and performance of the OHSC. The Executive Committee, under the leadership of the Chief Executive Officer, is responsible for the day-to-day management and operations of the OHSC. We believe that our team has the right combination of skills and abilities to drive the mandate of the OHSC, with the ability to interrogate issues, have robust discussions and offer insights in all areas of our operations, including transformation and business evolution.

The Board operates under approved terms of reference and ensures that financial and risk management, and internal controls are effective as is required by a PFMA. Each member of the Board possesses a range of requisite skills, experience and competencies to perform their occupation and are provided with additional support by the OHSC. In effectively providing oversight and guidance to the OHSC, the Board remains acutely aware of various legislations and relevant codes of best practice, including, but not limited to:

- The National Health Act, 2003;
- Public Finance Management Act, 1999 and Treasury Regulations;
- Companies Act, 2008;
- Income Tax Act, 1962;
- Value Added Tax Act, 1991; and
- Protocol on Corporate Governance for the Public Sector 2002.

The Board's primary responsibilities include:

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

During the review period, the Board continued to provide management with strategic direction to execute the OHSC strategy and implement the operational plans for the strategic programmes. The Board monitored and reviewed the quarterly performance reports in terms of strategic goal achievement and was satisfied with management's progress in executing the entity's strategic plan.

The role of the Board, specifically, is to:

- retain full and effective control over the OHSC and monitor the implementation of the strategic plans and Board-approved financial, environmental and social objectives;
- define levels of authority, reserving specific powers to itself and delegating other matters, with the necessary written authority, to the CEO;
- regularly monitoring the delegation of authority;
- ensure that an appropriate system of policies and procedures is in place and maintained and that suitable governance structures exist for the smooth, efficient and prudent stewardship of the OHSC;
- ensure OHSC compliance with all relevant laws and regulations, audit and accounting standards, codes of conduct and best business practice and any other such principles and codes as may be established by the Board from time to time;
- regularly review and evaluate business risks to the OHSC and ensure that comprehensive, appropriate internal controls exist to mitigate such risks;
- exercise objective judgement about the business affairs of the OHSC, independent from management but with sufficient management information to enable a proper and informed assessment;
- identify and monitor all aspects relevant to the business of the OHSC and ensure its responsible conduct towards all relevant stakeholders with a legitimate interest in its affairs.

In giving effect to its role, the Board defined the following key issues to consider in its control and direction of the OHSC:

- The Board assumes ultimate accountability and responsibility for the performance and affairs of the OHSC and therefore effectively represents and promotes the mandate and legitimate interests of the organisation and its stakeholders;
- The Board has a responsibility to the broader stakeholders who include, *inter alia*, the present and potential beneficiaries of OHSC services, clients, suppliers, employees and the wider community, to ensure their continuing benefits from the services of the OHSC;
- The Board develops clear definitions of the levels of appropriate materiality or sensitivity to determine the scope and delegation of its authority and ensure that it reserves specific powers and authority for itself as outlined in the NHA;
- All delegated authority is in writing and evaluated on a regular basis to ensure relevance and effectiveness and alignment with the relevant changes in the OHSC;
- The Board manages the potential conflicts of interest of Board members, management and the wider stakeholders and ensures clean, transparent and accountable governance throughout the OHSC at all times;
- The Board oversees the values and ethics of the OHSC and ensures that an appropriate corporate code of conduct is in place;
- The Board is responsible for ensuring that succession plans are in place for the CEO, executive management and key posts in the OHSC; and
- The Board ensures that the technology and systems in the OHSC are appropriate for it to run the organisation effectively and competitively through the efficient use of its resources.

The Board manages and protects the financial position of the OHSC with assistance from the Internal Audit function to ensure that:

- there is strict adherence to the PFMA and National Treasury Regulations;
- the Annual Financial Statements fairly present the business of the entity, contain proper disclosures and conform to the requirements of the National Treasury Regulations;
- appropriate internal controls and regulatory compliance, policies, procedures and processes are in place, and that;
- non-financial aspects relevant to the OHSC are identified and monitored;
- The Board implements and maintains an effective organisational risk management framework and ensures that the key risk areas and key performance indicators of the OHSC are identified and monitored;
- The Board is satisfied that the OHSC has a sound

communication policy and an effective stakeholder management framework and that it communicates regularly, openly and promptly with its staff and all relevant stakeholders, with substance prevailing over form;

- The Board reviews the strategic direction of the OHSC and adopts business plans proposed for the achievement of objectives;
- The Board reviews processes to ensure that the OHSC complies with key legal obligations;
- The Board delegates appropriate authority to the CEO for capital expenditure and reviews investment, capital and funding proposals;
- The Board oversees performance against agreed targets and objectives; and
- The Board provides leadership and vision to enhance value and ensure the long-term sustainability of the OHSC.

Board Charter

Board activities are undertaken in line with the Board Charter developed in consultation with the executive authority. The Charter identifies the roles and responsibilities of the Board in relation to the interactions with management and sets out the fiduciary duties of the individual Board members and role of the Chairperson of the Board. The Board Charter further deals with the management of conflicts of interests to ensure that the interests of the OHSC remain paramount in its decision-making process. The Board monitors compliance with the Charter by Board members and deals with issues of conflict in the manner provided for in the Charter.

Composition of the Board

The Board consists of nine (9) non-executive Board members appointed by the Minister of Health in terms Section 79B of the NHA. The CEO and the CFO are ex officio members of the Board. The term of office of the Board commenced on the 01 January 2017 and will end on the 31 December 2019 for all members irrespective of the date of appointment. The Minister of Health appointed Ms Oaitse Audrey Montshiwa, the Vice-Chairperson as the Acting Chairperson of the Board of OHSC. There is diversity in the Board in terms of skills and competencies as prescribed by the NHA.

Table 23: Board members' information and meetings attended during the 2017/18 financial year

Name and designation	Date appointed	Date resigned	Qualification	Area/s of expertise	Board Directorships	Other Committees	Meetings attended
*Prof EL Mazwai (Chairperson) #	01/01/2017	October 2017	MBChB, FRCS	Medicine Higher Education	St Mary's Private Hospital Board Modern Business Holdings & Sales Affiliate (Pty) Ltd	n/a	3
*Ms OA Montshiwa	01/01/2017	n/a	Diplomas in General Nursing, Diploma in Midwifery, Bachelor of Nursing and Honours in Community Health	Nursing	None	HR and Rem and CEC Com	8
*Prof S Whittaker Member	01/01/2017	n/a	BSc, UED MBChB, FFCH (CM) SA MMed MD	Medicine Academia Quality improvement and healthcare	None	CEC	7
Prof EL Stellenberg Member	01/01/2017	n/a	BCur (Gen Nursing, Midwifery and Psychology), B Hons (Nursing Education and Community Health Nursing) MCur, DCur. PGD in Nursing Admin, ICU and Psychiatry	Higher Education Research Quality Assurance and quality improvement in Health Services Risk management in Health Services Malpractice litigation in Nursing Practice	COHASA Board	CEC and HR and Rem Com	8

Name and designation	Date appointed	Date resigned	Qualification	Area/s of expertise	Board Directorships	Other Committees	Meetings attended
*Mr OMB Pharasi	01/01/2017	n/a	M. Pharm (Medical School, Sofia)	Pharmacy Editing & Proof reading	None	ARF Com	8
*Dr BEW Masuku	01/01/17	n/a	BSC, MBChB, Fellow College of Obstetrics and Gynaecology and Masters in Medicine	Medicine	Constitutional Hill Board and Council on Higher Education	HR and Rem Com	7
*Mr AK Hoosain	01/01/2017	n/a	B Com Honours, CA (SA), Certificate in Forensic Accounting, and MBA	Accounting	Council for Medical Schemes, SAICA and University of Western Cape	ARF Com	6
** Ms KS Mahlangu	29/05/2017	n/a	B Proc, LLB and MAP	Law	Road Transportation Board	ARF and CEC Com	6
** Ms S Barsel	29/05/2017	n/a	Certificate in Professional Coaching Practice, Advanced Diploma in Adult Education and BA	Parliamentary services, labour, health and education sector	None	ARF Com	6
***Prof MN Chetty	27/02/2018	n/a	MBchB, FCFP (SA), MFamMed, MPH (USA) DTM+H, DOH, DHSM	Quality Standards Setting and Best Practice Initiatives	KZN Doctors Healthcare Coalition, IPA Foundation of SA, and UKUSA Healthcare Consultants	None	1

* Appointed from 01 January 2017
** Appointed from 29 May 2017
*** Appointed from 27 February 2018
# Resigned October 2017

Board Committees

The Board established three sub-committees to assist in discharging its duties. The sub-committees operate according to the functions set out in Board-approved Terms of Reference for each sub-committee.

The table below lists the sub-committees, their members and the number of meetings held during the year under review.

Table 24: Board Sub-Committees, members and meetings for the 2017/18 financial year

Committee	Members	Number of meetings	Number of members
Audit, Risk and Finance Committee (ARF Com)	*Mr AK Hoosain (Chairperson) **Ms S Barsel *Mr OMB Pharasi **Ms KS Mahlangu	5	4
Certification and Enforcement Committee (CEC)	*Ms OA Montshiwa (Chairperson) *Prof EL Stellenberg *Prof S Whittaker **Ms KS Mahlangu	7	4
Human Resource and Remuneration Committee (HR and Rem Com)	*Prof EL Stellenberg *Ms OA Montshiwa *Mr AK Hoosain *Dr BEW Masuku	5	4

* Appointed from 01 January 2017

** Appointed from 29 May 2017

Remuneration of Board members

Board members are remunerated in terms of National Treasury tariffs for office-bearers of certain statutory and other institutions. The OHSC Board is classified under Category A, Sub-category A2 of the National Treasury tariffs. In terms of the Board Remuneration policy, remuneration is approved for meeting preparation of four hours in line with National Treasury hourly tariffs for sub-category A2 entities.

The remuneration paid to each Board member for the year under review are included in the Annual Financial Statements under "Related Parties Transactions" (Note 23).

RISK MANAGEMENT

The Board adopted a risk management policy and strategy which are aimed at optimal management of risk for the entity to achieve its vision and mission, principal tasks, key strategic objectives and to protect the core values of the organisation. Under the risk management policy, management conducts regular risk assessments to determine the effectiveness of the risk management strategy and identify new and emerging risks. A strategic risk register was developed and identifies the top ten risks facing the entity. Mitigating controls are continuously being monitored for effectiveness in addressing the risks. Where these are found to be ineffective, new control measures are developed to mitigate risks to acceptable levels.

The Internal Audit function plays an important role when conducting risk-based audits to evaluate the effectiveness of management controls in mitigating risks and where gaps are identified, management implements recommended action plans to address the identified gaps. The Board is ultimately responsible for and assumes ownership of risk management as the accounting authority in line with Section 51 of the PFMA, 1999. In this regard the Board has undertaken the following:

- setting an appetite for risk for the OHSC;
- determining the risk-bearing capacity and tolerance level for key risks, which should not exceed the risk appetite;
- monitoring and reviewing the extent to which management has established effective risk management measures in their respective units;
- ensuring that management has implemented an ongoing process to identify, assess and manage risks;
- forming its own opinion about the effectiveness of the risk management process;
- ensuring that the risk management process is formally evaluated on an annual basis; and
- providing guidance and direction to management in respect of risk management.

The Audit, Risk and Finance (ARF) Committee was established to advise the Board on the overall system of risk management, especially the mitigation of unacceptable levels of risk. The Committee further advises the Board on risk management and independently monitors the effectiveness of the system of risk management.

The effective risk management process has resulted in improved performance and where controls were found to be ineffective, other controls were developed to address risks at tolerable levels.

MATERIALITY AND SIGNIFICANCE FRAMEWORK

For the year under review the Board has, in terms of Treasury Regulations, developed a Materiality and Significance Framework, taking into account the size and operations of the OHSC.

Materiality

Taking into account the guidelines provided in the National Treasury's Practice Note on Applications Under Section 54 of the PFMA by Public Entities, the materiality amount of the OHSC was set at R1.3 million. The materiality amount was calculated as 5% of the OHSC surplus of R26 487 871 for the 2015/16 financial year.

Significance

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

- establishment or participation in the establishment of a company or public entity;
- participation in a significant partnership, trust, unincorporated joint venture, public-private partnerships or similar arrangement;
- acquisition or disposal of a significant shareholding in a company;
- acquisition or disposal of a significant asset that would significantly affect the operations of the OHSC;
- commencement or cessation of a significant business activity;
- a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated;
- joint venture or similar arrangement;
- material infringement of legislation that governs the OHSC;
- material losses resulting from criminal or fraudulent conduct in excess of the materiality parameters; and
- all material facts and/or events, including those reasonably discoverable, which in any way may influence the decisions or actions of the executive authority.

INTERNAL CONTROL SYSTEMS UNIT

Internal control systems were implemented to create confidence in the financial position of the OHSC and ensure the safeguarding of assets (including the security of information) and compliance with applicable laws, regulations and government policy prescripts. Internal auditors monitor the functioning and effectiveness of the internal control systems and make recommendations to management and the ARF Committee. The ARF Committee reports to the Board regarding the internal control environment within OHSC and, where necessary, the Board adopts recommendations from the Committee to improve the internal control environment. The internal control systems were designed to provide reasonable, but not absolute, assurance about the integrity and reliability of the financial statements; safeguard, verify and maintain accountability of assets and detect fraud, potential liability, and loss and material misstatement; and comply with applicable laws and regulations.

The AGSA and Internal Auditors have considered the internal control systems as part of the annual audit and planned audits, respectively, and identified some deficiencies for which management had to implement an agreed action plans that addresses the deficiencies and report progress with implementation to the ARF Committee to ensure an acceptable audit outcome in the next financial year.

INTERNAL AUDIT AND AUDIT, RISK AND FINANCE COMMITTEE

Internal Audit is an outsourced function for a three-year period during which the entity will review its status to determine if the function could be insourced. Internal Audit is important as it provides an independent assurance to the Board about the internal control environment in relation to business operations.

The Internal Audit function operates in terms of the Internal Audit Charter adopted by the Board on the recommendation of the ARF Committee. The Charter sets out the nature, role, responsibility, status and authority of internal auditing within the OHSC and outlines the broad scope of the Internal Audit function. The OHSC recognises that internal auditing is an independent, objective assurance and consulting activity designed to add value and improve operations through a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes that assist the entity to accomplish its objectives.

The Internal Audit function operates under the guidance and support of the ARF Committee. The Committee was established by the Board under the Terms of Reference (Charter) that outline the functions, role and responsibilities of the Committee.

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

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

Table 25: Audit, Risk and Finance Committee members and meetings attended for the 2017/18 financial year

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	Number of meetings attended
*Mr AK Hoosain	B Com Honours, CA(SA), Certificate in Forensic Accounting, and MBA	External	n/a	01/01/2017	n/a	4
*Mr OMB Pharasi	M. Pharm (Medical School, Sofia)	External	n/a	01/01/2017	n/a	4
**Ms S Barsel	Certificate in Professional Coaching practice, Advanced Diploma in Adult Education and BA	External	n/a	29/05/2017	n/a	3
**Ms KS Mahlangu	B Proc, LLB and MAP	External	n/a	29/05/2017	n/a	3

* Appointed from 01 January 2017
** Appointed from 29 May 2017

COMPLIANCE WITH LAWS AND REGULATIONS

Adherence and compliance to applicable laws and regulations remain a Board responsibility. The OHSC is also governed by legislation other than its founding legislation, the NHA. As a Schedule 3A public entity, the OHSC is governed by the PFMA and National Treasury Regulations published under the PFMA and other legislative prescripts referred to above. Legislative compliance is an ongoing activity within the OHSC and monitoring of any non-compliance with legislative prescripts and reporting thereof for corrective action is the responsibility of every manager in the OHSC. A PFMA compliance checklist, developed by National Treasury, is used to monitor compliance with the PFMA. The checklist is part of management's reporting responsibilities to the Board through its sub-committees, especially the ARF Committee. The OHSC is developing a legislative Compliance Framework which will be used as a tool to monitor OHSC's compliance with the laws and regulations.

FRAUD AND CORRUPTION

The Board has committed itself to combating all forms of fraud and corruption and remaining proactive in the fight against fraud and other "white collar" crimes.

A Fraud Prevention Plan is in place to create awareness and teach employees how to report suspected cases of fraud and corruption.

The Board is confident that the employees and stakeholders will use the reporting channels, including a fraud hotline, to report any suspected case of fraud and corruption.

The Fraud Prevention Plan consists of a system of internal controls to prevent and detect fraud and corruption. The system of internal controls includes, among others, creating a fraud awareness culture, developing policies and procedures, implementing a system for segregation of duties in business transactions, internal auditing, on-going risk assessment and a process for reporting and monitoring allegations of fraud and corruption.

The Board, through the ARF Committee, regularly monitors and reviews business risk relating to fraud and corruption.

MINIMISING CONFLICT OF INTEREST

The Board has a Board Charter in place and procedures to manage issues of conflict of interest (perceived, potential or actual) to minimise if not prevent them. On an annual basis, Board members and OHSC Senior Management are required to disclose financial interests. The disclosures are meant to ensure that there is no conflict of interest when decisions are made by anyone within the OHSC governance structures. Furthermore, at every OHSC Senior Management and Board meeting members sign a register of declaration of interests in any of the agenda items for discussion to identify any conflict and recuse themselves from the meeting during the discussion of the item of conflict.

CODE OF CONDUCT

The Board Charter includes a Code of Conduct for Board members. The Charter sets out, among others, the roles of the Board, Board Chairperson and individual Board members, governance of Board meetings, reporting responsibilities of the Board and communication of Board decisions. The Board Code of Conduct is based on the principles of honesty, integrity and ethical leadership and serves as a guide to Board members about protecting OHSC assets and information, as well as managing conflicts of interest.

The OHSC Code of Conduct for employees is premised on the same principles as that of the Board and guides employees in their interaction with one another and the public to ensure that the reputation of the OHSC is protected.

During the year under review, there were no reported cases of breach by Board members or employees of the respective Codes of Conduct and Ethics. Disciplinary steps are taken by the OHSC against any employee who breaches the Code.

The Board decides whether a Board member in breach of the Code should be referred to the Minister for appropriate action in terms of the NHA, 2003.

AUDIT, RISK AND FINANCE COMMITTEE REPORT

The Audit, Risk and Finance (ARF) Committee is pleased to present its report for the financial year ended 31 March 2018.

AUDIT, RISK AND FINANCE COMMITTEE RESPONSIBILITY

During the review period, the ARF Committee complied with its responsibilities in Section 51(1) (a) (ii) of the PFMA and Treasury Regulation 27.1, adopted appropriate formal Terms of Reference as its Charter, regulated its affairs in compliance with the Charter and discharged its responsibilities therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

The ARF conducted its review of the findings of the internal audit function, which was based on the risk assessments conducted in the OHSC. Internal audits were conducted on governance; health standards design, analysis and support; complaints management and inspections; human resource management; information technology; supply chain management, and quarterly reports against pre-determined objectives. The overall ratings on the audited areas ranged from "major improvement needed" to "satisfactory". Control measures are being implemented to address the areas of weaknesses identified by the internal auditors. The ARF Committee will continue to monitor the implementation of the recommendations and internal control measures emanating from the internal audits.

IN-YEAR MONITORING AND QUARTERLY REPORTS

The OHSC submitted quarterly reports to the Executive Authority. The ARF Committee reviewed the reports and recommended them to the Board for approval. The Committee is satisfied with the reported progress by management in implementing the plans for the year and the achievements as at the end of the 2017/18 financial year. The Committee will continue to monitor and review implementation of action plans to ensure that there is improvement from the baseline set prior years of operations.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

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

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

Chairperson
Audit, Risk and Finance Committee

PART D
HUMAN RESOURCE MANAGEMENT

PART D
HUMAN RESOURCE MANAGEMENT

INTRODUCTION

One of the primary roles of the Human Resources Management unit is to ensure that a productive and conducive work environment is created within the organisation by putting an effective and efficient human resources systems, practices and programmes that help the organisation to achieve its strategic objectives.

Accordingly, in order to ensure that the strategic objectives of the organisation are realised as set out in the strategic plan, a number of human resources programmes were prioritised for the financial year under review.

These programmes included, amongst others, recruitment of staff, internship programme, in-service programme, training and development, performance management, policy development and review, employee wellness programme, induction programme, and organisational development.

ACHIEVEMENTS

RECRUITMENT OF STAFF

In order to ensure that the organisation has adequate staffing capacity, the recruitment of staff was prioritised to ensure that the organisation fulfils its mandate. To realise this, recruitment processes were accelerated leading to the filling of 113 of the 121 funded posts for the year under review. This constituted a 93% staffing capacity, which was 3% higher than the target of 90%.

INTERNSHIP PROGRAMME

During the year under review, seven (7) interns were appointed in the internship programme on a twelve-month programme. The aim of the internship programme is to offer interns an opportunity to acquire the necessary work place experience in order to enhance their prospect of securing permanent employment. This programme assists the organisation further in making a meaningful contribution towards skills development and employment creation in the country.

COMMUNITY SERVICE PROGRAMME

A community service programme for the environmental health practitioners was established with ten (10) environmental health practitioners appointed on a 12-month contract basis. This programme assists the organisation in fulfilling the legislative obligations related to conducting environmental health audits, as well as assisting the incumbents with the requisite opportunity for community service in their areas of work.

The Parliamentary Portfolio Committee on Health had, in the past, raised concerns about the absence of environmental health inspections in the work of the OHSC and further advised the Office to find a way to incorporate this work. It is within this context that the environmental health inspection programme was established, taking into account the fiscus constrains of the organisation.

TRAINING AND DEVELOPMENT

The training and development of employees was intensified to assist employees to acquire the necessary skills for the benefit of both the organisation and employees. A Workplace Skills Plan (WSP) was developed and implemented resulting in numerous employees attending programs which included, amongst others, conferences, seminars and training in short courses.

PERFORMANCE MANAGEMENT

In line with the OHSC's policies, a performance management system was implemented to create an enabling environment for productivity for the employees and the organisation. Performance recognition rewards were implemented during the current financial year to recognise, appreciate and further motivate the employees.

REVIEW AND DEVELOPMENT OF POLICIES AND PROCEDURES

A number of human resource policies were prioritised for review and development to enhance and create an effective integrated human resources framework. This assisted the OHSC to remain responsive to an ever changing internal and external environment within which the OHSC operates.

EMPLOYEE WELLNESS PROGRAMME

To enhance the wellbeing and health of employees, the employee wellness programme was implemented through the appointment of an external service provider.

This was done to provide employees with professional wellness services and to also ensure that the confidentiality of employees' information is maintained.

CHALLENGES

Inadequate office space for staff members was identified as one of the challenges to be addressed to create a conducive working environment.

ACTION PLANS

For the next financial year, the human resources unit will prioritise the finalisation of the reviewed policies in order to ensure alignment with the strategic objectives of the organisation.

The human resources unit will expedite the review of the organisational structure to create a structure aligned to the strategy and assist the organisation to fulfil its mandate effectively.

HUMAN RESOURCE OVERSIGHT STATISTICS

Table 26: Personnel costs by Programme

Programme	Total Expenditure	Personnel Expenditure	Personnel Expenditure as a % of Total Expenditure	Number of Employees	Average Personnel Cost Per Employee
Administration	49 461 934	18 843 548	16%	25	753 742
Compliance Inspectorate	48 469 981	36 499 158	30%	60	608 319
Complaints Management and Ombud	16 222 130	12 481 475	10%	19	656 920
Health Standards Design, Analysis and Support	6 931 714	6 327 756	5%	9	703 084
Total	**121 315 759**	**74 151 937**	**61%**	**113**	**656 212**

Table 27: Personnel costs by salary band

Level	Personnel Expenditure	% Personnel Expenditure to the Total Personnel Cost	Number of Employees	Average Personnel Cost Per Employee
Executive Management	6 808 243	9%	5	1 361 649
Senior Management	9 531 051	13%	10	953 105
Professionally Qualified and Experienced Specialists and Mid-management	21 774 819	29%	28	777 672
Skilled Technical and Academically Qualified Workers, Junior Management and Supervisors	26 737 190	36%	50	534 744
Semi-skilled and Discretionary Decision-Making	9 300 634	13%	20	465 032
Total	**74 151 937**	**100%**	**113**	**656 212**

Table 28: Performance rewards for the 2017/18 financial year

Level	Performance Awards	Personnel Expenditure	% of Performance Rewards to the Total Personnel Cost
Executive Management	152 983	6 808 243	0.21%
Senior Management	238 766	9 531 051	0.32%
Professionally Qualified and Experienced Specialists and Mid-management	356 828	21 774	0.48%
Skilled Technical and Academically Qualified Workers, Junior Management and Supervisors	271 256	26 737 190	0.37%
Semi-skilled and Discretionary Decision-making	76 917	9 300 634	0.10%
Total	**1 096 750**	**74 151 937**	1.48%

Table 29: Training costs for the 2017/18 financial year

Programme	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	Number of Employees Trained	Average Training Cost Per Employee
Training Expenditure	74 151 937	1 322 469	2%	69	19 166

Table 30: Employment and vacancies by division

Programme	Number of Employees 2016/17	Number of Employees 2017/18	Approved Posts 2017/18	Employee Vacancies 2017/18	% of Vacancies
Office of the CEO	5	7	7	0	0%
Corporate Services	17	18	22	4	18%
Compliance Inspectorate, Certification of Enforcement	57	60	63	3	5%
Complaints Management and Ombud	16	19	17	0	0%
Health Standards Design, Analysis and Support	9	9	12	3	25%
Total	**104**	**113**	**121**	**10**	**8%**

The 19 posts under complaints management division are inclusive of an extra 2 posts of Compliance Officers appointed on contract which had to be filled to establish the call centre unit and also enhance capacity in this unit.

Table 31: Employment and vacancies by level

	Number of Employees 2016/17	Number of Employees 2017/18	Approved Posts 2017/18	Employee Vacancies 2017/18	% of Vacancies
Executive Management	4	5	5	-	0%
Senior Management	11	10	11	1	9%
Professionally Qualified and Experienced Specialists and Mid-management	23	28	28	-	0%
Skilled Technical and Academically Qualified Workers, Junior Management and Supervisors	43	50	53	3	6%
Semi-skilled and Discretionary Decision Making	23	20	24	6	25%
Unskilled and Defined Decision Making	-	-	-	-	-
Total	**104**	**113**	**121**	**10**	**8%**

Some of the positions have been advertised and it is expected that the process of filling them will be concluded in the new financial year. The six vacancies in the semi-skilled category arose as a result of two extra Complaints Officers posts filled on contract under the complaint management division which had to be prioritised ahead of other posts to improve operational capacity due to the dire need in the division.

Table 32: Number employees who attended training

Occupational Category	Gender								Total
	Male				Female				
	A	C	I	W	A	C	I	I	
Executive Management	1				1				2
Senior Management	1		2		1			1	5
Professionally Qualified and Experienced Specialists and Mid-management	5	1			11				17
Skilled Technical and Academically Qualified Workers, Junior Management and Supervisors	6			1	32				39
Semi-skilled and Discretionary Decision Making	3				2				5
Unskilled and Defined Decision Making					1				1
Total	**16**	**1**	**2**	**1**	**48**	**-**	**-**	**1**	**69**

As part of skills development, the employees attended skills development programmes which included amongst others short courses, workshops and seminars.

Table 33: Employment changes and staff turnover during the 2017/18 financial year

Salary Band	Employment at beginning of Period 1 April 2017	Appointments	Terminations	Employment at the end of Period 31 March 2018
Executive Management	4	1	-	5
Senior Management	11	2	1	12
Professionally Qualified and Experienced Specialists and Mid-management	23	3	-	26
Skilled Technical and Academically Qualified Workers, Junior Management and Supervisors	44	9	3	50
Semi-skilled and Discretionary Decision Making	22	1	3	20
Unskilled and Defined Decision Making	-	-	-	-
Total	**104**	**16**	**7**	**113**

Table 34: Termination of employment

Reason	Number	% of Total Numbers of Staff Leaving
Expiry of Contract	1	14%
Resignation	5	71%
Dismissal	-	0%
Retirement	-	0%
Poor Health	-	0%
Death	1	14%
Transfers	-	0%
Total	**7**	**100%**

*Number of employees terminated divided by the total number of termination multiplied by 100. The bulk of the employees left to further their respective careers in other organisations. OHSC will always strive to establish a harmonious work environment to retain and recruit more employees.

Labour relations: misconduct and disciplinary action during the review period

During the year under review, one employee was issued with written warning due to misconduct. No other disciplinary action was taken as no further incident of misconduct occurred or reported.

Table 35: Equity target and employment equity status: Males, Females and Disabled

Levels	Male							
	African		Indian		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Executive Management	3	-	-	-	-	-	-	-
Senior Management	6	-	-	-	1	-	-	-
Professionally Qualified and Experienced Specialists and Mid-management	7	-	1	-	1	-	-	-
Skilled Technical and Academically Qualified Workers, Junior Management and Supervisors	11	-	-	-	-	-	1	-
Semi-skilled and Discretionary Decision Making	7	-	-	-	-	-	-	-
Unskilled and Defined Decision Making	-	-	-	-	-	-	-	-
Total	**34**	**-**	**1**	**-**	**2**	**-**	**1**	**-**

Levels	Female							
	African		Indian		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Executive Management	2	-	-	-	-	-	-	-
Senior Management	2	-	-	-	-	-	1	-
Professionally Qualified and Experienced Specialists and Mid-management	18	-	-	-	-	-	1	-
Skilled Technical and Academically Qualified Workers, Junior Management and Supervisors	38	-	-	-	-	-	-	-
Semi-skilled and Discretionary Decision Making	12	-	-	-	-	-	1	-
Unskilled and Defined Decision Making	-	-	-	-	-	-	-	-
Total	**72**	**-**	**-**	**-**	**-**	**-**	**3**	**-**

Levels	Employees with disabilities			
	Male		Female	
	Current	Target	Current	Target
Executive Management	-	-	-	-
Senior Management	-	-	-	-
Professionally Qualified and Experienced Specialists and Mid-management	-	-	-	-
Skilled Technical and Academically Qualified Workers, Junior Management and Supervisors	-	1	-	-
Semi-skilled and Discretionary Decision Making	-	-	1	1
Unskilled and Defined Decision Making	-	-	-	-
Total	**-**	**1**	**1**	**1**

During the year under review, emphasis was made in ensuring that the workforce composition is demographically representative with focus on historically disadvantaged groups across key occupational categories.

PART E
FINANCIAL INFORMATION

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Office of Health Standard Compliance set out on pages 99 to 135, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of Health Standard Compliance as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis of opinion

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

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

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

Other matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

7. The supplementary information set out on pages 1 to 92 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-general's responsibilities for the audit of the financial statements

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

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 2 – Compliance Inspectorate, Certification and Enforcement	40 – 46
Programme 3 – Complaints Management and Office of the Ombud	47 – 56
Programme 4 – Health Standards Design, Analysis and Support	57 – 64

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

16. I did not raise any material findings on the usefulness and reliability of the reported performance information of the selected programmes.

Other matters

17. I draw attention to the matters below.

Achievement of planned targets

18. Refer to the annual performance report on pages 28 to 64 for information on the achievement of planned targets for the year and explanations provided for the under/over achievement of a significant number of targets.

Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 2 – Compliance Inspectorate, Certification and Enforcement, programme 3 – Complaints Management and Office of the Ombud and programme 4 - Health Standards Design, Analysis and Support. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to

report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

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

Other information

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

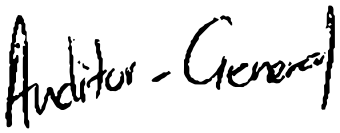
23. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

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

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

INTERNAL CONTROL DEFICIENCIES

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



Pretoria
31 July 2018

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

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

Communication with those charged with governance

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

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

INDEX

The reports and statements set out below comprise the annual financial statements presented to the parliament:

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

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

The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements.

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2018 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 101 to 135, which have been prepared on the going concern basis, were approved by the Accounting Authority on 26 July 2018 and were signed on its behalf by:

Dr. S Mndaweni
Chief Executive Officer

Ms. OA Montshiwa
Acting Chairperson of Board
pp.

ACCOUNTING AUTHORITY'S REPORT

The members submit their report for the year ended 31 March 2018.

1. INCORPORATION

The OHSC is a Schedule 3A Public Finance Management Act (Act 1 of 1999) public entity established in terms of the National Health Amendment Act, 12 of 2013. It commenced its operation on the 1st of April 2015 and its Executive Authority is the Minister of Health.

2. REVIEW OF ACTIVITIES

Main business and operations

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

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

The OHSC recorded a surplus of R24 474 205 and R16 193 972 in the prior year.

3. GOING CONCERN

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

We draw attention to the fact that as at 31 March 2018, the entity had accumulated surplus of R 67 156 039 and that the entity's total assets exceed its liabilities by R 67 156 039. The surplus arose largely due to the vacant positions at the end of the financial year, as well as the lease of office space which was not yet concluded by year end.

4. SUBSEQUENT EVENTS

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

5. ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such statements issued by the Accounting Standard Board, as the prescribed framework by National Treasury.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Receivables from exchange transactions	6	1 395 816	3 296 132
Receivables from non-exchange transactions	7	276 789	74 452
Cash and cash equivalents	8	61 877 713	43 534 859
		63 550 318	**46 905 443**
Non-Current Assets			
Property, plant and equipment	3	6 461 021	5 279 320
Intangible assets	4	8 192 228	2 519 926
		14 653 249	**7 799 246**
Total Assets		**78 203 567**	**54 704 689**
Liabilities			
Current Liabilities			
Operating lease liability	5	303 100	67 441
Payables from exchange transactions	11	6 007 985	9 244 406
Provisions	9	4 736 443	2 510 368
		11 047 528	**11 822 215**
Non-Current Liabilities Other liability	10	-	200 640
Total Liabilities		**11 047 528**	**12 022 855**
Net Assets		**67 156 039**	**42 681 834**
Accumulated surplus		67 156 039	42 681 834

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from exchange transactions	13	1 542 086	1 486 402
Interest received - investment			
Other income		-	18 226
Total revenue from exchange transactions		**1 542 086**	**1 504 628**
Revenue from non-exchange transactions			
Transfer revenue	14	125 711 000	100 195 453
Government grants			
In-kind donation		8 841 616	-
Total revenue from non-exchange transactions		**134 552 616**	**100 195 453**
Total revenue	12	**136 094 702**	**101 700 081**
Expenditure	15	(74 151 936)	(55 176 223)
Compensation of employees			
Board fees and related costs	33	(1 712 665)	(1 577 014)
Depreciation and amortisation	3&4	(2 826 344)	(1 751 834)
Operating expenses	16	(32 929 552)	(27 001 038)
Total expenditure		**(111 620 497)**	**(85 506 109)**
Surplus for the year		**24 474 205**	**16 193 972**

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2016	**26 487 862**	**26 487 862**
Changes in net assets Surplus for the year		
	16 193 972	16 193 972
Total changes	16 193 972	16 193 972
Balance at 01 April 2017	**42 681 834**	**42 681 834**
Changes in net assets Surplus for the year	24 474 205	24 474 205
Total changes	24 474 205	24 474 205
Balance at 31 March 2018	**67 156 039**	**67 156 039**

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Grants		125 711 000	100 195 453
Interest income		1 542 086	1 486 402
Other income		-	18 226
		127 253 086	101 700 081
Payments			
Compensation of employees		(71 513 955)	(55 025 626)
Suppliers		(32 146 577)	(28 516 658)
Board payments		(1 712 665)	(1 577 014)
		(105 373 197)	(85 119 298)
Net cash flows from operating activities	**19**	**21 879 889**	**16 580 783**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(2 397 766)	(3 066 063)
Purchase of intangible assets	4	(1 139 269)	(2 330 387)
Net cash flows from investing activities		**(3 537 035)**	**(5 396 450)**
Cash flows from financing activities			
Movement in non - current liability		-	200 640
Net increase/(decrease) in cash and cash equivalents		**18 342 854**	**11 384 973**
Cash and cash equivalents at the beginning of the year		43 534 859	32 149 886
Cash and cash equivalents at the end of the year	8	**61 877 713**	**43 534 859**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis						
Figures in Rand	**Approved budget**	**Adjustments**	**Final Budget**	**Actual amounts on comparable basis**	**Difference between final budget and actual**	**Reference Note 34**
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received - investment	-	-	-	1 542 086	**1 542 086**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	125 711 000	-	**125 711 000**	125 711 000	-	
In-kind donation	-	-	-	8 841 616	**8 841 616**	
Total revenue from non- exchange transactions	**125 711 000**	-	**125 711 000**	**134 552 616**	**8 841 616**	
Total revenue	**125 711 000**	-	**125 711 000**	**136 094 702**	**10 383 702**	
Expenditure						
Compensation of employees	(79 161 491)	-	**(79 161 491)**	(74 151 936)	**5 009 555**	
Board fees and related costs	(1 877 258)	-	**(1 877 258)**	(1 712 665)	**164 593**	
Depreciation and amortisation	-	-	**-**	(2 826 344)	**(2 826 344)**	
Operating expenses	(40 110 095)	-	**(40 110 095)**	(32 929 552)	**7 180 543**	
Total expenditure	**(121 148 844)**	-	**(121 148 844)**	**(111 620 497)**	**9 528 347**	
Operating surplus	**4 562 156**	-	**4 562 156**	**24 474 205**	**19 912 049**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis						
Figures in Rand	**Approved budget**	**Adjustments**	**Final Budget**	**Actual amounts on comparable basis**	**Difference between final budget and actual**	**Reference Note 34**
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	-	-	-	1 395 816	**1 395 816**	
Receivables from non-exchange transactions	-	-	-	276 789	**276 789**	
Cash and cash equivalents	-	-	-	61 877 713	**61 877 713**	
	-	-	-	**63 550 318**	**63 550 318**	
Non-Current Assets						
Property, plant and equipment	2 506 596	-	**2 506 596**	6 461 021	**3 954 425**	
Intangible assets	2 055 560	-	**2 055 560**	8 192 228	**6 136 668**	
	4 562 156	-	**4 562 156**	**14 653 249**	**10 091 093**	
Total Assets	**4 562 156**	-	**4 562 156**	**78 203 567**	**73 641 411**	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	-	303 100	303 100	
Payables from exchange transactions	-	-	-	6 007 985	6 007 985	
Provisions	-	-	-	4 736 443	4 736 443	
	-	-	-	**11 047 528**	**11 047 528**	
Total Liabilities	-	**-**	**-**	**11 047 528**	**11 047 528**	
Net Assets	**4 562 156**	**-**	**4 562 156**	**67 156 039**	**62 593 883**	

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 55 (1) (b) of the Public Finance Management Act (Act 1 of 1999).

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

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

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

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

These accounting policies are consistent with the previous years.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Transfer of functions between entities under common control

Accounting by the entity as acquirer

Initial recognition and measurement

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Impairment testing

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

Effective interest rate

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

Areas were estimates made are:

Provisions

Provisions were measured based on the probable estimated future cash outflows that may be needed to settle the obligation that may arise. Additional disclosures of these provisions are made in Note 9.

Depreciation and amortization

Depreciation and amortization amounts on property, plant and equipment, as well as intangible assets, were calculated based on the expected useful lives of the underlying assets. The estimation of the assets' useful lives is based on the management's judgement related to the expected assets condition at the end of the period of use. The estimates took into account the nature of the OHSC's business and how the assets will be utilised in the normal operations of the OHSC, including the impact of advancing technology.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

Item of intangible assets are derecognised when the asset is disposed of or when there are no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal of an asset is determined as the difference between the proceeds from the disposal and the carrying value of the assets and is recognised in the statement of financial performance.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	5 years or license period

Intangible assets are derecognised:

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

1.7 Financial instruments

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

Credit risk

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

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

Market risk

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

Liquidity risk

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

Fair values

The OHSC's financial instruments consists mainly of cash and cash equivalents. No financial instruments were carried at an amount in excess of its fair value and fair values could be measured for all financial instruments. The following methods and assumptions are used to determine the fair value of each class of financial instrument.

Investments

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

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

Cash and cash equivalents

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

Other receivables from exchange transactions

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

Trade and other receivables

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

Trade and other payables

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

Financial assets

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

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an

unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :

- derecognises the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

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

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

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

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

Financial liabilities

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

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

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

1.8 Tax

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

1.9 Leases

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

Operating leases - lessor

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

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

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

Operating leases - lessee

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

1.10 Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

1.11 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

1.12 Commitments

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

1.13 Revenue from exchange transactions

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

Interest received

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

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

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

1.14 Revenue from non-exchange transactions

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

Government grants

Government grant are recognised as revenue when:

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

1.15 Borrowing costs

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

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a programme or a main division within a programme; and
- expenditure not in accordance with the purpose of a programme or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.17 Fruitless and wasteful expenditure

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

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

1.18 Irregular expenditure

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

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

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

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonation is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.19 Budget information

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

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

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

The approved budget covers the fiscal period from 2017-04-01 to 2018-03-31.

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

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 32 and 34.

1.20 Related parties

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

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

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

- Controlling party - refers to the NDoH which the OHSC reports, and from where the OHSC receives its funding.
- This includes the Executive Authority of the NDoH.
- The Board of the OHSC - this refers to persons appointed by the Minister of Health in terms of section 79A, 79B and 79C of the National Health Amendment Act 2013. In this category are all the Committees of the Board as constituted by the Board from time to time.
- Key management personnel - this includes all persons having the authority and responsibility for planning, directing and controlling the operational activities of the entity. Such personnel include the Chief Executive Officer, Chief Financial Officer and other members of the Executive Management Committee.
- Close family members of key management personnel and Board members of the OHSC.
- In accordance with GRAP 20, as a minimum, the following shall be considered to be close family members:
    - that person's children and spouse or domestic worker;
    - children of that person or that person's spouse or domestic worker;
    - dependents of that person or that person's spouse or domestic worker;
    - a grandparent, grandchild, parent, brother, or sister; and
    - a parent - in - law, brother - in - law sister - in - law.
- Entities under the same control - refers to public entities that are under the control of the NDoH, under which the OHSC reports.

1.21 Events after reporting date

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

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

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

1.22 Segment reporting

A segment is an activity of an entity:

(a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);

(b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and

(c) for which separate financial information is available.

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

1.23 Comparative figures

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 17: (as amended 2015) Property Plant and Equipment	01 April 2016	The impact of the standard is not material
GRAP 16: (as amended 2015) Investment Property	01 April 2016	The impact of the standard is not material
GRAP 12: Inventory	01 April 2017	Unlikely there will be a material impact
GRAP 27: Agriculture	01 April 2017	Standard is not relevant to OHSC
GRAP 31: Intangible assets	01 April 2017	Intangible assets are disclosed

2.2 Standards and interpretations issued, but not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related Party Disclosures	Early adoption	The OHSC has disclosed the related party transactions
GRAP 32: Service Concessions Arrangements: Grantor	Not yet effective	Statement is not relevant to the OHSC
GRAP 108: Statutory Receivables	Not yet effective	No statutory receivables were received
GRAP 109: Accounting for Principals and Agents	Not yet effective	Statement is not relevant to the OHSC
GRAP 34: Separate financial Statements	Not yet effective	Statement is not relevant to the OHSC
GRAP 35: Consolidate financial statement	Not yet effective	Standard is not relevant to OHSC
GRAP 36: Investment in associates and joint arrangements	Not yet effective	Statement is not relevant to the OHSC
GRAP 37: Joint arrangements	Not yet effective	Standard is not relevant to OHSC
GRAP 38: Disclosure of interest in other entities	Not yet effective	Standard is not relevant to OHSC
GRAP 103: Heritage assets	Not yet effective	Standard is not relevant to OHSC

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figure in Rand

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 110: Living & non-living resources	Not yet effective	Standard is not relevant to OHSC
IGRAP 18: Interpretation of the standard of GRAP on the recognition and derecognition of land	Effective	Standard is not relevant to OHSC

3. Property, Plant And Equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Office equipment	2 198 433	(743 593)	1 454 840	1 744 257	(373 033)	1 371 224
Furniture and fixtures	1 986 466	(425 846)	1 560 620	1 901 117	(246 262)	1 654 855
Motor vehicles	1 537 148	(139 432)	1 397 716	481 059	(8 018)	473 041
Computer equipment	3 154 960	(1 107 115)	2 047 845	2 378 970	(598 770)	1 780 200
Leasehold improvements	843 777	(843 777)	-	843 777	(843 777)	-
Total	**9 720 784**	**(3 259 763)**	**6 461 021**	**7 349 180**	**(2 069 860)**	**5 279 320**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Office equipment	1 371 224	454 264	-	(370 647)	1 454 841
Furniture and fixtures	1 654 855	85 348	-	(179 583)	1 560 620
Motor vehicles	473 041	1 056 089	-	(131 415)	1 397 715
Computer equipment	1 780 200	802 065	(14 919)	(519 501)	2 047 845
	5 279 320	**2 397 766**	**(14 919)**	**(1 201 146)**	**6 461 021**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Additions through transfer of functions /mergers	Disposals	Depreciation	Total
Office equipment	624 018	968 325	-	-	(221 119)	1 371 224
Furniture and fixtures	1 131 369	680 777	12 442	-	(169 733)	1 654 855
Motor vehicles	-	481 059	-	-	(8 018)	473 041
Computer equipment	1 216 157	935 904	-	(46 238)	(325 623)	1 780 200
Leasehold improvements	722 411	-	-	-	(722 411)	-
	3 693 955	**3 066 065**	**12 442**	**(46 238)**	**(1 446 904)**	**5 279 320**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figure in Rand	2018	2017

4. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortis tion and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumu-lated impair-ment	Carrying value
Computer software	**10 145 782**	**(1 953 554)**	**8 192 228**	**2 848 282**	**(328 356)**	**2 519 926**

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	2 519 925	7 297 500	(1 625 197)	8 192 228

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Additions through transfer of functions / mergers	Amortisation	Total
Computer software	438 934	2 330 387	55 535	(304 931)	2 519 925

5. Operating lease liability

Current liabilities	(303 100)	(67 441)

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

6. Receivables from exchange transactions

Deposits Current	62 050	62 050
Prepaid expenses	1 333 766	3 234 082
	1 395 816	**3 296 132**

7. Receivables from non-exchange transactions

Sundry debtors	276 789	74 452

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figure in Rand	2018	2017

8. Cash and cash equivalents

Cash and cash equivalents consist of:		
Cash on hand	4 979	967
Bank balances	36 649 757	19 853 002
Short-term deposits	25 222 977	23 680 891
	61 877 713	**43 534 860**

9. Provisions

Reconciliation of provisions - 2018

	Opening balance	Additions	Total
Provision for performance bonuses	969 677	217 745	1 187 422
Provision for leave	1 540 690	2 008 331	3 549 021
	2 510 367	**2 226 076**	**4 736 443**

Reconciliation of provisions - 2017

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for performance bonuses	796 506	969 677	(605 941)	(190 565)	969 677
Provision for leave	1 577 231	1 540 690	-	(1 577 231)	1 540 690
	2 373 737	**2 510 367**	**(605 941)**	**(1 767 796)**	**2 510 367**

10. Other liability

Accounts payable	-	200 640

11. Payables from exchange transactions

Trade payables	4 443 290	7 618 392
Accrued expenses	1 564 695	1 626 014
	6 007 985	**9 244 406**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figure in Rand	2018	2017
12. Revenue		
Other revenue	-	18 226
Interest received - investment	1 542 086	1 486 402
Government grants & subsidies	125 711 000	100 195 453
In-kind donation	8 841 616	-
	136 094 702	**101 700 081**
Other revenue consists of:		
Proceeds from insurance claim	-	17 099
Fees charged in terms of PAIA	-	1 127
	-	**18 226**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	125 711 000	100 195 453
In-kind donations	8 841 616	-
	134 552 616	**100 195 453**
13. Investment revenue		
Interest revenue		
Bank	**1 542 086**	**1 486 402**
Interest from call investment account.		
14. Government grants and subsidies		
Operating grants		
Government grant	**125 711 000**	**100 195 453**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figure in Rand	2018	2017
15. Compensation of employees		
Basic salary	51 892 176	40 039 618
Service and performance bonuses paid	3 625 720	2 421 566
Medical aid - employer contributions	2 018 542	1 339 402
UIF- employer contribution	119 726	95 232
Workmen compensation fund	64 658	75 819
Leave paid and provided for	2 122 159	45 715
Pension-employer contribution	5 775 185	5 002 365
Long-service awards	-	9 291
Other non-pensionable allowances	7 243 836	5 365 199
Bargaining council	3 087	2 905
Provision for performance bonuses	1 286 848	779 112
	74 151 936	**55 176 224**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figure in Rand	2018	2017
16. Operating expenses		
Advertising	2 943 463	412 337
Audit costs (refer to note 17)	1 504 180	1 101 065
Bank charges	61 215	54 183
Cleaning services	131 644	130 064
Consulting and professional fees	(213 824)	1 204 160
Inventory and other consumables	884 760	545 416
Legal fees	3 459 804	128 103
Insurance	274 806	118 088
IT maintenance and support	3 109 138	294 885
Marketing and publication costs	1 186 310	1 649 414
Motor vehicle expenses	99 908	2 236
Staff relocation	15 383	172 414
Postage and courier	54 065	28 275
Printing and stationery	570 660	586 947
Telephone communication costs	1 354 124	1 265 122
Training and skills development	1 322 469	775 331
Travel, subsistence and accommodation (refer to note 35)	12 867 439	14 649 461
Office utensils	4 035	40 271
Water and electricity	387 575	337 449
Penalty and interest	-	28 545
Catering services	55 724	121 029
Operating lease costs	2 408 923	1 788 555
Gain/(loss) from transfer of function (refer to note 21)	-	(67 978)
Loss or theft of assets	14 919	46 238
Venues and facilities	432 831	1 589 428
	32 929 552	**27 001 038**
17. Audit costs		
Internal audit	702 436	483 552
External audit	801 744	617 513
	1 504 180	**1 101 065**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figure in Rand	2018	2017
18. Operating lease		
17.1 Operating lease liability- Office space		
Annual escalation rate	10%	
Future minimum lease payments		
Up to 1 year	888 996	855 825
Within two years to five years	-	-
	888 996	**855 825**

The OHSC had an outstanding commitment in respect of lease of office space with the South African Medical Research Council. The lease agreement expires on the 30 September 2018.

7.2 Operating lease liability - Photocopying machines			
Annual escalation rate	8%		
Future minimum lease payments			
Up to 1 year		188 226	215 986
2 - 5 years		46 430	231 661
		234 656	447 647
		234 656	**447 647**

19. Cash generated from operations		
Surplus	24 474 205	16 193 972
Adjustments for:		
Depreciation and amortisation	2 826 344	1 751 834
Movements in operating lease assets and accruals	235 659	(226 330)
Movements in provisions	2 226 075	150 598
Adjustment for gain (loss) from transfer of functions included in the surplus	-	(67 979)
Adjust for depreciation on assets lost	(11 156)	(8 821)
In-kind donation capitalised	(6 158 232)	-
Changes in working capital:		
Receivables from exchange transactions	1 900 316	(3 232 274)
Other receivables from non-exchange transactions	(202 337)	(49 852)
Payables from exchange transactions	(3 437 060)	2 014 577
Adjustment for cost of lost assets	26 075	55 058
	21 879 889	**16 580 783**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figure in Rand	2018	2017

20. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At amortised cost	Total
Other receivables from non-exchange transactions	276 789	276 789
Cash and cash equivalents	61 877 713	61 877 713
	62 154 502	**62 154 502**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	6 007 985	6 007 985

20. Financial instruments disclosure (continued)

2017

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	3 296 132	3 296 132
Other receivables from non-exchange transactions	74 452	74 452
Cash and cash equivalents	43 534 859	43 534 859
	46 905 443	46 905 443

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	9 244 406	9 244 406

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figure in Rand	2018	2017

21. Transfer of functions between entities under common control

Value of assets acquired

Nature of transfer

Entities involved in the transfer of functions were the NDoH (transferor) and the OHSC (acquirer). The functions relating to the monitoring and enforcing compliance by the health establishments with the health norms and standards were transferred to the OHSC. The transfer was in terms of the National Health Amendment Act 12 of 2013. The transfer became effective from 01 April 2015.

Value of the assets acquired and liabilities assumed

Assets acquired

Property, plant and equipment	-	67 978

22. Commitments

Authorised capital expenditure

The following capital commitments were made by year-end, but the services would be rendered after the end of the financial year.

Approved expenditure

Already contracted for but not provided for

Capital expenditure	7 465 465	647 130

23. Contingencies

There were no contingencies as at 31 March 2018.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figure in Rand	2018	2017

24. Related parties

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

Related party transactions

Grant received		
National Department of Health	125 711 000	100 195 453
Reimbursement		
National Department of Health	4 989 266	29 090 662
Outstanding balance owed to:		
National Department of Health	163 997	2 120 549
Amount owed from:		
National Department of Health	-	71 917
Medical Research Council		
Rental of office space	2 948 002	2 871 119

Non-executive members - 2018	Board fees	Reimbursements	Total
Prof. L Mazwai (Chairperson of the board) #	67 107	25 967	93 074
Prof. S Whittaker	81 812	1 912	83 724
Dr. E Stellenberg	157 496	12 352	169 848
Mr. A Hoosain *	77 438	3 347	80 785
Dr. B Masuku	73 450	7 676	81 126
Ms. O.A Montshiwa (Acting/Deputy Chairperson of the Board) *	165 105	9 091	174 196
Mr. B Pharasi *	99 947	6 066	106 013
Ms. K Mahlangu ***	89 908	2 160	92 068
Prof. M Chetty ****	5 218	-	5 218
Ms S Barsel ***	64 548	2 090	66 638
	882 029	**70 661**	**952 690**

*Appointed from 01 January 2017

*** Appointed 29 May 2017

**** Appointed 27 February 2018

Resigned October 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figure in Rand		2018	2017
Non-executive members - 2017	**Board fees**	**Reimbursements**	**Total**
Prof. L Mazwai (Chairperson of the board)	162 623	77 916	240 539
Prof. S Essack	43 845	5 083	48 928
Prof. L Rispel	70 120	6 913	77 033
Mr. M Kuscus	61 632	6 497	68 129
Ms. J Mabotja	62 562	2 121	64 683
Prof. S Whittaker	40 918	-	40 918
Dr. E Stellenberg	118 108	7 247	125 355
Ms. T Gwagwa	80 577	31 575	112 152
Prof. G van Zyl	23 898	-	23 898
Mr. A Hoosain	4 422	231	4 653
Dr. B Masuku	9 246	1 370	10 616
Ms. OA Montshiwa (Depurty Chairperson of the Board)	18 246	536	18 782
Mr. B Pharasi	10 854	660	11 514
	707 051	**140 149**	**847 200**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figure in Rand	2018	2017

24. Related parties (continued)

Executive Managers - 2018	Basic salary	Pension fund	Non-pensionable allowances and other payments	Service bonus and performance bonuses	Reimbursements	Total
Dr. S Mndaweni (Chief Executive Officer) *	514 436	67 681	142 231	-	10 601	734 949
Prof. Makgoba (Ombud)	1 412 720	-	593 569	-	17 911	2 024 200
Mr. J Mapatha (Chief Financial Officer)	823 111	107 004	243 783	144 687	11 656	1 330 241
Ms. W Moleko (Executive Manager: HSDAS)	793 052	103 097	210 179	-	8 136	1 114 464
Mr.B Msibi **	808 048	104 265	598 792	141 278	59 585	1 711 968
	4 351 367	**382 047**	**1 788 554**	**285 965**	**107 889**	**6 915 822**

* Appointed from 09 October 2017
** Acting Chief Executive Officer until 08 October 2017

Executive Managers - 2017	Basic salary	Pension fund	Non-pensionable allowances and other payments	Service bonus and performance bonusess	Reimbursements	Total
Mr. B Msibi (Acting Chief Executive Officer)	754 441	98 077	482 605	169 189	42 009	1 546 321
Prof. M Makgoba (Ombud) *	1 106 024	-	504 271	-	12 318	1 622 613
Mr. J Mapatha (Chief Financial Officer)	744 719	99 641	204 926	107 792	13 701	1 170 779
Ms. W Moleko (Executive Manager: HSDAS)**	498 663	64 826	126 901	41 555	5 203	737 148
	3 103 847	**262 544**	**1 318 703**	**318 536**	**73 231**	**5 076 861**

* Appointed from 01 June 2016
** Appointed from 01 August 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figure in Rand	2018	2017

25. Prior-year adjustments

Presented below are those items contained in the statement of financial position that have been affected by prior-year adjustments:

Statement of financial position

2017	Note	As previously reported	Reclassification
Provision for 13th cheque	9&11	1 129 089	(1 129 089)

Reclassifications

The following reclassifications adjustment occurred:

Accrued bonus

Provision for 13th cheque has been reclassified to accrued bonus.

	2017
Accrued bonus	1 129 089

The net impact on the Statement of Financial Position is zero

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figure in Rand	2018	2017

26. Risk management

Financial risk management

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

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through the Medium-Term Expenditure Framework.

At 31 March 2018	Less than 1 Year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Current liabilities	11 047 528	-	-	-

Credit risk

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

Market risk

Interest rate risk

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

27. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern and Accounting Authority has no reason to believe that the entity will not be a going concern in the foreseeable future.

This basis presumes that funds will be available to finance future operations and the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

28. Events after the reporting date

During the latter part of the financial year, the OHSC made a request to the National Treasury regarding deviation from normal procurement processes for purposes of leasing office space. The National Treasury granted approval for the deviation during March 2018. The processes to conclude the lease of office space were ongoing after the end of the financial year, and it is anticipated that the lease will be concluded in the 2018/19 financial year. As a result, this is a non-adjusting event, with financial outflows expected to occur in the 2018/19 financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figure in Rand	2018	2017

29. Unauthorised expenditure

No unauthorised expenditure was incurred during the financial year.

30. Fruitless and wasteful expenditure

Opening balance	53 110	5 884
For the year	104 500	53 110
Recovered amount	(8 090)	-
Condoned by the Board during the year	(28 545)	(5 884)
	120 975	**53 110**

For the year under review, the OHSC incurred fruitless expenditure of R104 500. This resulted from a service provider who was engaged to review the organisation structure, whose report was not accepted by the Human Resource and Remuneration Committee of the Board. The service provider was paid for the work done.

31. Irregular expenditure

Opening balance	4 834 382	1 963 263
Add: Irregular Expenditure - current year	2 948 002	2 871 119
Less: Amounts condoned by the National Treasury	(4 834 382)	-
	2 948 002	**4 834 382**

The OHSC was listed in accordance with the PFMA as a Schedule 3A public entity in May 2014. The NDoH requested the OHSC to move out of their office space as soon as possible, and this required the OHSC to find alternative office space on a temporary basis until a long-term arrangement is made. The office that was immediately available was found at the South African Medical Research Council, and the OHSC entered into a lease for this office space. The decision was taken and approved by the accounting authority of the OHSC. Irregular expenditure was as a result of not following a competitive tender process.

32. Reconciliation between budget and statement of financial performance

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

Net surplus per the statement of financial performance	24 931 301	16 193 972
Adjusted for:		
(Over)/ under collection	(1 542 086)	(1 504 628)
Over/(under) budget expenditure	(9 985 443)	(6 100 174)
(Over)/ under collection of Government grant and subsidies	-	339 547
(Over)/under collection of in-kind donation	(8 841 616)	-
Net surplus per approved budget	**4 562 156**	**8 928 717**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figure in Rand	2018	2017

33. Board fees and related expenses

Board fees and reimbursements	952 690	847 200
Other expenses	759 975	729 814
	1 712 665	**1 577 014**

34. Budget differences

Material differences between budget and actual amounts Compensation of employees

The were ten vacant posts at year end. In addition, some of the funded posts were recruited during the course of the financial year, and savings were realised for the period during which these posts were vacant.

Goods and services

The major contributor to the savings was the budgetary provision for the lease of office space. Although the OHSC budgeted for bigger office space, it operated from the current office space at the Medical Research Council. The office space was identified from the normal procurement process was no longer available at the conclusion of the procurement process. This will be concluded in the new financial year.

Capital expenditure

The OHSC received an in - kind donation for the development of the inspection system. The system has been capitalised in terms of the applicable accounting standard.

35. Travel, Subsistence and accommodation

Travel	5 771 067	6 819 186
Accommodation	5 209 510	5 674 972
Subsistence	1 886 862	2 155 303
	12 867 439	**14 649 461**

36. Segment information

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

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

NOTES

NOTES

TELEPHONE:
012 339 8699

PHYSICAL ADDRESS:
The Office of Health Standards Compliance,
Medical Research Council Building,
1 Soutpansberg Road,
Prinshof, Pretoria

GPS COORDINATES:
25d, 44m, 15.8s ; East 28d, 12m, 00.1s

POSTAL ADDRESS:
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Private Bag X21
Arcadia 007