



BUDGET

SPEECH **2021**

BY THE HONOURABLE
MS NOMUSA DUBE-NCUBE, MPL
MEC FOR FINANCE

14 MAY 2021



**BUDGET VOTE 6 DELIVERED BY
THE HONOURABLE MEC FOR FINANCE NOMUSA DUBE-NCUBE
14 MAY 2021**

Chairperson
Speaker
Deputy Speaker
Members of the Provincial Legislature
Mayors and Councillors of Local Government
Director General and Heads of Departments
Distinguished Guests
The people of KwaZulu-Natal following us in various media platforms
Members of the media

1. INTRODUCTION

Madam Speaker, I rise to address this house, inspired by the spirit of Mama Charlotte Makgomo Maxeke. This is a world renowned leader who is credited for dedicating her whole life fighting for my freedom, your freedom and the freedom of the people of this country across all racial lines.

The governing party, the African National Congress, has declared 2021 “The Year of Unity, Renewal and Reconstruction” as a fitting tribute to this champion of the people.

Perhaps, we need to reflect on the question - what is expected of the political leaders of today, living under a free and democratic dispensation as opposed to the leaders such as Mama Maxeke?

This is a leader who was thrust into the jaws of apartheid – but despite this, she made it her mission to rescue our country from oppression and create a new democratic society.

Based on the rich struggle credentials of Mama Maxeke, I believe that those of us who are in the position of leadership - have only one gospel song to sing. We may possible sing it in different ways, but it should be the gospel of “economic freedom for all.”

Madam Speaker, when we debated the Provincial Budget Speech today, members of this house across all political lines, demonstrated their commitments to advance the aspirations of the people of this province.

The ethos of selflessness in the service of our people should continue to inspire all of us as we strive to make the lives of our people better and the sacrifices of our fallen heroes and heroines worth their while.

We reiterate, **Madam Speaker**, our commitment to ensure investment in strengthening the moral integrity of those who are involved in supply chain management and finance management units across all government departments and municipalities.

We are emphasizing the importance of professional and ethical service and pride in the fulfillment of the will of the electorate.

We believe that elected representatives and employees of the state, across all spheres, need to view the service to community as sacrosanct.

We want all categories of staff to understand that it is indeed an honour to be assigned to the positions of trust over the resources destined to alleviate the suffering of the population. We therefore must ensure that we do not betray the trust bestowed on us by the electorate.

In this regard, we will continue to introduce a variety of mechanisms to promote integrity and combat corruption. These include minimum anti-corruption capacity requirements, a Code of Conduct for staff, financial disclosure framework for senior managers and officials in finance and Supply Chain Management components.

We want the financial disclosure framework to be reviewed to compel all officials in provincial government to disclose their financial interest irrespective of their ranks or responsibility. This way we will compel individuals to declare honestly acquired assets and action is guaranteed to those who flout this provision.

As Treasury we will also work with Integrity Management Unit located in the Office of the Premier. We will have many platforms including a Hotline to enable communities and whistleblowers to report fraud and corruption.

We want members of the public to be able notify government and law enforcement agencies if they know suspicious conduct of officials involved in the Supply Chain Management. This forms part of our efforts aimed at combating unethical conduct in our SCM and government in general.

Honourable Members, we note with heavy hearts that, like the Provincial Budget Speech, we once again present the 2021/2022 Provincial Treasury Budget under challenging economic conditions.

The year ahead places before us some difficult challenges which will undoubtedly be addressed through our collective efforts as members of this house.

The broad principles that should govern our response to the economic challenges should include avoiding the risk of unfairly placing the burden of the downturn on the poor and vulnerable.

In this regard, Provincial Treasury will play a leading role in ensuring that this government is enabled to minimize the negative impact of economic challenges created by COVID-19.

In March, we presented the provincial budget under the theme: “***Making your rand go an extra mile.***” As guided by this theme, Treasury will continuously prioritize the conservation of resources and shift budgets to ensure solid and speed in the delivery of services to the voters.

Our focus as Treasury will also shift from just allocation of budget but we will now be more instrumental in monitoring and evaluating our progress in relation to specific projects of service delivery.

We will improve our monitoring and evaluation systems to ensure effective tracking of our progress against the indicators and targets as articulated by the Premier Sihle Zikalala and the executive council.

We want to ensure that we move beyond compliance reporting to the ability to assess the value for money. We want to also monitor all resources we spend and intervene swiftly when required.

Importantly, as boldly indicated by the Premier in the State of the Province Address, the provincial government is “**Quickening the Tempo to ensure economic recovery and job creation**”.

As we present this Budget Vote, we therefore reiterate our commitment to ensure that public procurement is used to *quicken the tempo to ensure economic recovery and job creation.* This is a directive from the Premier.

Our immediate focus in this regard is to assist departments address the wide economic gap created by a skewed government procurement process.

We are confident of the support of the members of this house because you all understand that this is the government of the people by the people. It is therefore the ordinary members of this province who must taste the fruits of democracy.

The surest way of ensuring that our people enjoy the fruits of democracy is to accelerate access to economic opportunities. We have singled out our procurement as an instrument to achieve this.

Honourable members, we have planned ongoing workshops across the province to train officials from provincial departments, government entities and municipalities on the matters of procurement and supply chain management in general.

We will enforce the localisation to ensure that government departments procure goods and services within the area where the project is, and not transport goods and services from outside that particular locality when it could be sourced within.

We will also initiate and strengthen partnerships between big and emerging businesses in the area of procurement and sub-contracting.

Madam Speaker, we remain concerned about our ongoing inability to ensure clean audits year after-year across all spheres of government. The Audit General consistently points out unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure.

On this day, we wish to make an undertaking that we will deploy resources as Provincial Treasury to assist government departments and municipalities to attain Clean Audit Outcomes.

We want government departments and municipalities to be able to detect early signs of administrative or financial distress. Our Premier has emphasized in the past that members of the executive council and leadership at municipal level must be hands on and provide leadership to ensure adherence to best financial management practices on a daily basis.

We will ensure that such a bold statement by the Premier is anchored and strengthened with an allocation of skill to departments and municipalities.

We regard this as extremely important considering the fact that we are approaching the end of term of local government. We have acknowledged as Treasury that the area of financial management remains vulnerable and a risk.

This period of local government is often associated with disruptive practice that erode experience and institutional memory. Interventions by both Provincial Treasury and Department of Co-operative Governance and Traditional Affairs are already underway to ensure the stability of the local government administrative machinery.

1.1 Provincial Treasury's Commitment

Madam Speaker, based on the issues I have highlighted, our focus in the 2021/2022 financial year will therefore be directed towards the following fundamentals:

- The Auditor General's Report will form the basis of our support we give to departments and municipalities;
- Embed internal controls and processes, addressing audit matters within Departments, Municipalities and Public Entities while ensuring long term sustainability of audit improvements and successes;
- Take effective steps towards the elimination of fraud and corruption in government;
- Ensure transparent and fair Supply Chain Management practices;
- Focus on the enhancement of Broad-Based Black Economic Empowerment (B-BBEE) through effective Supply Chain Management policies;
- Monitoring and review of all Covid-19 emergency procurement incurred by Departments, Public Entities and Municipalities;

- Ensure on-budget spending (in all Departments and Public Entities) through effective in-year monitoring of expenditure and sound cash management;
- Maintain the present favourable provincial cash position;
- Enhance support to Municipalities and Public Entities to encourage prudence in financial management; and
- Provide further assistance to Departments, Public Entities and Municipalities to unlock stagnant infrastructure projects;
- Work with professional bodies and recognized accounting organizations in pursuit of clean governance and financial management within both government and the private sector. It is through the vigilance and maintenance of professional standards and integrity that we will be able to out-root the dirty apples in our midst.

In addition, our goals underscore the necessity for Provincial Treasury to have a healthy relationship with all Members of the Executive Council, their Departments and Public Entities.

In collaboration with the Office of the Premier and the Department of Co-operative Governance and Traditional Affairs (CoGTA), Provincial Treasury will strive to build strong relationships with all Municipalities. These relationships will have to be built on trust and effective advice and support.

2. OVERVIEW OF OWN REVENUE AND EXPENDITURE PER PROGRAMME

Madam Speaker, allow me to now deal specifically with Treasury's own revenue collection as well as the primary service delivery objectives and funding of each of Provincial Treasury's programmes for the coming year.

Full details are contained under Vote 6 of the Estimates of Provincial Revenue and Expenditure (EPRE) and in the Annual Performance Plan of the department.

The baseline of the department has decreased by R64.9 million, from R718.763 million in 2020/21 to R653.845 million. This reduction relates mainly to fiscal consolidation due to the devastation caused by Covid -19 and is aimed at reducing expenditure across all spheres of government to help fund this pandemic.

2.1 Revenue

Departmental receipts collection – R414.271 Million (Up from R388.862 Million in 2020/2021): 6.53% increase

The bulk of Provincial Treasury's revenue is the interest earned from the provincial bank accounts. This relates mainly to interest received by the Provincial Revenue Fund on daily positive bank balances in the Inter-governmental Cash Coordinating (IGCC) account at the Reserve Bank.

To maximise interest, withdrawals from this account are made only when cash is needed. The improvement in collection against this category is due to the collective implementation of both cash blocking and cost-cutting measures by Departments.

Madam Speaker, as Treasury we have taken a decision to identify more revenue streams to ensure that money collected is used for the construction of roads, houses and to ensure the provision of quality education, health, welfare services, water and electricity.

We have often heard that there are people in this province who choose to go to other provinces for vehicle license renewals and registrations as it is cheaper and quicker. In this regard, we will work with the MEC for Transport to ensure that such a revenue is retained by this province.

Gaming and Betting including some tourism facilities are other avenues that presents revenue streams that we must access to raise more money for service delivery.

3. EXPENDITURE PER PROGRAMME

3.1 PROGRAMME 1: ADMINISTRATION – R210.078 MILLION (DOWN FROM R215.771 MILLION IN 2020/21)

The decrease of 2.6% in the allocation is mainly due to wage freeze and fiscal consolidation budget cuts.

This Programme is responsible for the executive and strategic functions of the department and includes the overall managerial and corporate responsibilities of Provincial Treasury.

It comprises the Office of the Member of Executive Council, the Head of Department, the Chief Financial Officer and Corporate Services, which includes the Human Resource Management component.

3.1.1 Operation Sukuma Sakhe (OSS)

Madam Speaker, as a Champion of Operation Sukuma Sakhe in uThukela District I will continue to lead efforts aimed at strengthening service delivery in the district. The HOD is assigned to eThekweni District.

Due to job losses and trail of destruction left by COVID-19, many households - orphans, the senior citizens, remain hungry despite the fact that there are government services that are meant to assist them –and as public representatives we are the ones who must help them. This is a revolutionary task we undertake to strengthen.

An integrated approach involving all government departments and local communities will be used to ease the burden of suffering for the intended beneficiaries of government services. This is what Sukuma Sakhe is all about.

3.1.2 Community Outreach and Social Responsibility

Madam Speaker, we will continue with the rollout of community outreach and social responsibility programmes. Some of the programmes will focus on addressing socio-economic challenges in partnership with the private sector.

We will also focus on financial literacy programme focusing on households and young people in general.

Honourable members, a financial literate young person is in a position to make a meaningful contribution towards their economic and political development of the country.

We believe that in order to meet the demands of the knowledge-based economy, youths should be encouraged to continuously acquire a higher level of financial literacy. This is a programme we will priorities this financial year.

Other social responsibility programmes to be undertaken by myself and HOD will include:

- Donation of school uniforms, used computers and other resources to needy learners identified through War Rooms;
- Assisting drought-stricken areas by providing tanked water supply at 7 schools. (This includes the installation of water tanks and water reticulation and the supply of boreholes and installation of gutters);
- Lobby sponsorship for school infrastructure development and repairs; and
- We are working with the Department of Social Development to assist accredited NGOs, with a focus on orphans and the elderly.

3.1.3 District Development Model (DDM)

Madam Speaker, we appreciate the commitment by the local leadership at municipal level towards the implementation of the District Development Model.

Combined with Operation Sukuma Sakhe, this model is helping in bridging the gap between the provincial government and people on the ground.

Critically, an integrated approach involving all spheres of government will help in maximizing on the potential of each district as guided by our Provincial Spatial Economic Development Strategy. The strategy has clearly demarcated the sectors that drive the economy in different parts of the province.

The thrust of the strategy is the importance of aligning planning processes of the different spheres of government, integration of departmental effort and involvement of the people in their own development, empowering them to participate and own the processes of development to ensure sustainability

As Treasury we will continue to participate in many committees linked to the model such as Technical and Political Hub.

i. Youth Programme

Madam Speaker, another area we are focusing on is youth development.

This programme resides with the Office of the Premier and links up with Treasury through Intergovernmental Relations. The programme seeks to forge synergy and integration of initiatives by departments to advance youth development in the province by ensuring that youth become active participants in government initiatives culminating in a Youth Parliament and implementation of resolutions thereof.

The province has adopted a holistic, interdepartmental and integrated approach that responds to the socio-economic needs of young people in KwaZulu-Natal. It is aligned to key national and provincial policy frameworks and strategies that guide the government and social partners to align their programmes accordingly. The IGR Unit forms part of the provincial team that coordinates, integrates and monitors youth development interventions and programmes and works with the Office of the Premier to report progress in the province.

ii. Expanding the pool of financial skills in Provincial Government

Provincial Treasury received accreditation from the South African Institute of Chartered Accountants (SAICA) as a training office in December 2015. In January 2021, this department welcomed a further three trainee Chartered Accountants, making a total of eighteen in the programme, eleven of whom are currently undergoing training towards becoming Chartered Accountants (CA), and seven who have been successfully signed off as Public Service trained Chartered Accountants and who are currently within an internal three year Management Development Programme.

This programme is responding to the call from the President to increase the capacity of the state and to expand the pool of financial skills in the country. Through this initiative, Treasury will also strengthen the capacity of Departments and Municipalities to manage their finances prudently. These Chartered Accountants will be utilised as skilled resources within the Audit Improvement Strategy of the province.

Provincial Treasury has made financial investments through the Thuthuka Bursary Fund for previously disadvantaged students in financial management who want to pursue Chartered Accountancy. There are a total of 90 students who have been funded by the Department. All of these students come from various district municipalities in KwaZulu-Natal and are expected to serve the province upon completion of their studies. They feed into the training programme mentioned above, and to other government programmes, for example, in the eThekweni Municipality and the office of the Auditor-General.

3.1.4 Building the capacity of the state

The departmental organisational structure has been approved which will enable the department to execute on its mandate. Even though the structure is going to be filled in phases due to budget cuts, a total of 65 new positions will be filled in 2021/2022 that will greatly enhance the department's capacity to deliver the required services.

3.1.5 Equity

A need to target inequalities and gaps in socio-economic participation of previously disadvantaged members of our community remains central. Plans and monitoring mechanisms are in place to ensure that women, youth and people with disabilities are appointed in line with government policies.

3.2 PROGRAMME 2: SUSTAINABLE RESOURCE MANAGEMENT – R55.396 MILLION (UP FROM 2020/21 APPROPRIATION OF R49.984 MILLION)

The 10.8% increase in the programme is primarily due to the shift of the sub-programme Public, Private Partnerships (PPP) from programme 3 to Programme 2.

3.2.1 Sustainable Fiscal Resources – Public Finance

The Public Finance Unit within Provincial Treasury is responsible for ensuring that it puts processes in place to engage with all departments and public entities on the preparation of the MTEF budget. During this process, there is also frequent engagement with National Treasury and national sector departments and this culminated in the provincial budget being tabled in this House on 9 March 2021.

As you know, the 2021/22 MTEF budget was prepared under extremely trying circumstances with the unprecedented fiscal consolidation cuts having to be effected against a provincial budget that has seen budget cuts far too often. The provincial budget

that I tabled in this House in March highlighted the difficult economic and fiscal challenges that gave rise to these fiscal consolidation budget cuts.

The next step then is to provide oversight over the budget implementation and this Unit will continue to monitor the province's expenditure in-year, ensuring that there is strict adherence to the budget, and will provide continued oversight over the implementation of the cost-cutting measures.

Where there is cause for concern with regard to spending patterns, the Provincial Executive Council will be alerted to ensure that we act swiftly so as to prevent any over-spending from taking place. We will also compile in-year detailed budget performance and management reports and present these to the Provincial Executive Council, the Finance Portfolio Committee and the Legislature.

Our main aim is to ensure that the province remains financially sustainable and that the provision of adequate services to the population of KwaZulu-Natal is amplified to address the triple challenges of poverty, unemployment and inequality. We recognise that the budget cuts over the 2021/22 MTEF are unprecedented and undertake to support all departments in managing their budgets so that they provide services to our people, while remaining within budget.

The firm oversight of this Provincial Treasury is evident in the spending patterns of this province with the 2020/21 financial year being the tenth consecutive year that we have deviated from budget by less than two per cent. This is indeed an achievement worthy of applause. We will continue to put all our efforts and energies into ensuring that we continue along this trajectory.

The Public Finance unit will also continue to report to National Treasury on the monthly spending patterns of the province, and will also provide monthly reports indicating the provincial Covid-19 response. As mentioned in the provincial budget speech, the provincial budget includes a provision for the roll-out of the Covid-19 vaccine with funding provided to cover costs associated with the administration of the vaccine programme, including service delivery costs and vaccine administering related supplies (such as syringes and swabs).

The National Department of Health will cover the costs of the procurement of the vaccines for the whole country. Until the roll-out of the vaccination programme is complete, the province will remain on high alert and will continue to engage with departments with regard to their Covid-19 responses. While the last financial year required a significant reconfiguration of the provincial budget to provide for the Covid-19 response, this is not envisaged to be necessary this year as National Treasury has provided some funds towards the response.

We will continue to strive to ensure that departments and public entities comply with the PFMA and Treasury Regulations, various Treasury Circulars, Instruction Notes and Directives. As mentioned, Provincial Treasury will continue to support all departments in the management of their financial and fiscal resources, but accounting officers and accounting authorities must also play their role in this regard. The ultimate responsibility

of ensuring that a department spends within budget and in line with the prescripts of the PFMA lies with the Accounting Officer of each department and public entity.

3.2.2 Infrastructure and Economic Analysis

Infrastructure and Economic Analysis consists of two units the Infrastructure Management and the Economic Analysis units. The Infrastructure Management unit provides guidance to all departments that implement infrastructure programmes and projects. This guidance is in terms of planning, budgeting and implementation of their infrastructure plans using the Infrastructure Delivery Management System (IDMS).

This Unit also houses the Infrastructure Crack Team (capacity support team) responsible for assisting Departments, Public Entities and Municipalities in the delivery of infrastructure programmes and projects, with a focus on those projects that experience blockages or slow implementation.

The Infrastructure and IDMS teams will continue to engage National Treasury and ensure that all provincial departments, maximise their investment in public sector infrastructure. This will involve ensuring that infrastructure planning preparations adhere to relevant legislative requirements, in particular the DORA, the National Treasury Instruction No. 03 of 2019/2020 Framework for Infrastructure Delivery and Procurement Management (FIDPM) and the KZN Provincial Treasury Circular No PT/INFR (1) of 2021/22.

Additional engagements and support will continue to be provided to Departments of Health and Education to maximise their infrastructure allocations. Both Departments have an opportunity of accessing additional financial incentives to the baselines by submitting planning documents and performance reports that meet the minimum requirements as outlined in the guidelines for the performance-based system. The financial incentives are ring-fenced within the baselines of the Education Infrastructure Grant (EIG) and Health Facility Revitalisation Grant (HFRG).

To qualify for the incentive allocation, a Department must attain an overall minimum score of 60%. Both the Departments of Education and Health have received the incentives since it started in 2015/16. For the 2021/22 financial year, the Department of Health achieved a total score of 83% and received an amount of R63.3 million from the performance incentive grant. The Department of Education achieved an overall score of 82% and received an amount of R78.1 million from the performance incentive grant for the 2021/22 financial year.

It is against this background of effective support to government institutions in the implementation of infrastructure programmes and projects that the IDMS team, in partnership with CoGTA's infrastructure team, has been mandated to support the Water Services Authorities (WSA) in the province with the effective and efficient planning, budgeting and implementation of water projects to ensure all sustainable water service delivery opportunities are explored and evaluated, with the objective that water supply is accessible to all households in the province.

Where “accessible” means households will have access to a water source, i.e. central community tap stand or water tanker (owned by WSA), and in terms of the Department of Human Settlements, Water and Sanitation norms and standards.

The Estimates of Capital Expenditure (ECE), tabled in the March 2021 provincial budget, lists all infrastructure projects per Department that will be rolled out this year and over the Medium-Term Expenditure Framework (MTEF). This publication is instrumental as it can play a vital role in effective oversight in terms of infrastructure delivery in our province.

It can also empower Members of this House to play an oversight role at project level. Regrettably, early indicators are that the Adjustments Budgets may invariably result in this programme being severely limited unless additional sources of funding are secured.

For the last financial year, the Economic Analysis unit conducted two studies namely the Provincial Equitable Share (PES) formula and the Norms and Standards for Funding for Public Schools. The findings and the recommendations for these studies will be published soon after they have been shared with the relevant stakeholders such as the COHOD, Legislature, Department of Education, and other clusters of the Provincial Government.

For now, it is sufficient to indicate that the analysis confirmed that KZN continues to pay the lowest amount per learner in all the quintile categories when compared to other provinces. The fixed allocation per learner negatively impacts the quality of education and, consequently, affects the desired national outcomes.

Concerning the PES, the study also confirmed that KZN has constantly been experiencing budget cuts implemented against the provincial equitable share over the past eight years. The analysis revealed that in the case of education, the PES formula focuses only on school-age cohort and school enrolment to determine the allocation for education.

In the current financial year, the Economic analysis focuses on the analysis of possible factors contributing to the continuous decline in the funding for Educational school nutrition programme in KZN. A further study is currently underway on the assessment of value for money on infrastructure spending in KZN, particularly on education infrastructure.

3.2.3 Public, Private Partnerships

The Public-Private Partnerships (PPP) Unit will continue to build capacity in Departments and Municipalities in identifying and advising in the management of PPP projects. As PPPs are alternative procurement vehicles, we will continue to enforce and monitor the implementation of the PPPFA towards achieving the Economic transformation agenda.

The feasibility study report for the Inkosi Albert Luthuli Central Hospital (IALCH) was completed and approved by the Provincial Executive Council. National Treasury Approvals for the Feasibility study was obtained during the 2020/21 financial year. A tender process to appoint a private party has been initiated with the Request for Qualification tendering and evaluation process completed.

The Unit will endeavor to place greater emphasis on its compliance monitoring and evaluation function to assess the implementation of Treasury Regulation 16 in all PPP projects in the Province. National Treasury has reviewed the PPP processes to ensure improved turn-around times for the responses to submissions on the PPP projects. We have positioned ourselves to assist this Province to meet all the requirements of the PPP framework so that National Treasury approvals are obtained timeously.

This Unit will continue assisting with the ILembe Siza Water Concession Contract. The former Borough of Dolphin Coast entered into a concession agreement with Siza Water Proprietary Limited (Siza Water) for the supply of water and sanitation services to a defined concession area within the municipality.

As the contract is entering its last ten years of the concession contract, the PPP Unit will assist the Municipality in making sure that the exit strategy for this contract is commenced with timeously to ensure the seamless hand over at the end of the contract. The PPP unit is assisting the municipality in negotiating the amendment of the contract to accommodate the exit process of the contract and sorting out all legal issues identified during the last five-year review of the contract including the treatment of Profit sharing by the concessionaire over the next few years, alignment of contract specification with water related legislations and alignment of concession area operations with District water networks.

The Unit will also advise the City of uMhlatuze on its proposed PPP in relation to waste water treatment and its reuse. The feasibility study for this project has been completed, Treasury views and recommendations for the Feasibility study has been obtained. Before issuing tender documents to the market to attract a Private Party, the municipality is in its final negotiation process with its off takers and Umhlatuze Water for this water re-use, a critical path in ensuring the sustainability of this project.

The KwaDukuza Municipality identified the need to procure the most cost effective service delivery mechanism in respect of refuse removal. A team of Transaction Advisors have been appointed to assist the municipality in undertaking Section 78 investigations. The feasibility study report has been completed and, as required by the Municipal Systems Act, 2000 (Act No. 32 of 2000), the municipality finalised public participation and stakeholder consultation.

Treasury Views and Recommendation 1 (TVR1) for the project were received from National Treasury during 2016/17. All necessary approvals and Views and Recommendations were obtained (TVR2 and TVR3). The Municipality has recently concluded a Twelve (12) year concession contract with Dolphin Coast Waste Management having followed the requirements of section 33 of the Municipal Finance Management Act. The PPP unit will continue to provide its technical supporting, monitoring and evaluation of the current concession contract.

3.3 PROGRAMME 3: FINANCIAL GOVERNANCE – R200.057 MILLION (DOWN FROM R219.783 MILLION IN 2020/21)

The decrease of 8.9% is largely due to the shift of the sub-programme PPP from programme 3 to programme 2 as well as the enforced budget cuts applied to all programmes due to the National funding requirements of the Covid 19 pandemic.

3.3.1 Accounting Services Sub-Programme

The main purpose of this Programme is to ensure that all the financial management systems and processes utilised in the province lend itself to the effective and efficient management of the province's resources. The issuing and monitoring of provincial directives and norms and standards are pivotal in practising transparent and sound financial management.

The Accounting Services Unit will continue to play a significant role in the implementation of the province-wide, multi-level PFMA Audit Readiness Financial Management Support Plan that has been developed to achieve the broad and overarching goal of improved financial management practices and the achievement of 90% unqualified audit outcomes by 2024. The improvement of the effectiveness of financial management in the province remains a priority towards the attainment of improved audit outcomes.

The following targeted projects and initiatives have been identified by the Accounting Services Unit to achieve the outcome outlined above:

- Provision of specialist financial and asset management support to Departments and Public Entities to enhance financial management skills and capabilities and ensure audit readiness;
- Provision of technical support and financial management training to strengthen capacity of officials at Departments and Public Entities on financial reporting standards;
- Support to Departments in the preparation of interim financial statements with the objective of improving the availability of quality supporting documentation to support the financial statements and management information;
- Monitor compliance with month-end closure procedures and submission of Interim and Annual Financial Statements.

In addition to the above, the Sub-Programme provides support to Departments in terms of:

- Operation "Pay-On-Time": A dedicated "Operation Pay-on-Time" team is available to support SMMEs in particular with resolving payment disputes that arise and reporting to National Treasury on compliance with Instruction Note No. 34;

- Inter-Governmental Debt Management: Assistance with the reconciliation of Inter-Departmental Accounts and Municipal Debt Recovery.

3.3.2 Supporting and Interlinked Financial Systems Sub-Programme

This Sub-Programme continues to provide support for financial systems in the province. The Sub-Programme remains committed to provide optimal protection through the use of the Biometric Access Control System (BACS) to both BAS and Persal transversal systems, thus mitigating any financial loss to the province. The department is in the process of reviewing the current BACS architecture with SITA because with evolving technologies, failure to conduct the review exercise may expose the province to financial losses.

The Unit will be instrumental in the implementation of the invoice tracking system in the province and its integration with other financial systems. The integration is critical for consistence and integrity on financial reporting.

The constant reduction on budget which is lately exacerbated by COVID19 may hinder both, strengthening Biometrics Access Control and also the implementation invoice tracking system in the Province.

3.3.3 Norms and Standard Sub-Programme

The Norms and Standards unit is responsible for developing, facilitating the implementation of, and monitoring compliance with financial norms and standards in provincial departments, municipalities and entities to enhance financial management. The unit will continue to provide strategic support to departments, municipalities and entities by focusing on the review and development of critical finance-related policies, instruction notes and standard operating procedure guidelines.

The unit will endeavor to place greater emphasis on its compliance monitoring and evaluation function to assess financial management compliance and institute remedial measures, where necessary. Departments' System of Delegations Framework are continuously being reviewed to ensure delegations are assigned at appropriate levels to achieve desired results and outcomes, whilst ensuring effective and efficient service delivery. The unit will moreover continue to assist departments with addressing audit queries relating to policies & procedures as highlighted by the Auditor-General.

3.3.4 Condonation of Irregular Expenditure

The teams managing the Sub-Programmes of Accounting Services and Supply Chain Management will continue to assist with the reduction in irregular expenditure through a process of condonation in compliance with Instruction Note No. 2 of 2019/2020. These Units are instrumental in the implementation of the Instruction Note, which further regulates irregular expenditure for institutions subject to the PFMA as set out in the Irregular Expenditure Framework.

To this end, all requests for condonation of irregular expenditure from Departments and Public Entities listed in Schedules 3C and 3D of the PFMA are submitted to the Provincial Treasury for its consideration with effect from 17 May 2019. Provincial Treasury will ensure that all requests for condonation made by Departments before 31 March 2021 are considered before submission of the Annual Financial Statements for audit.

The eleventh consecutive clean audit of Vote 6 and the Provincial Revenue Fund bear testimony to our commitment and adherence to sound financial management prescripts.

3.3.5 Provincial Supply Chain Management Unit (SCM)

The Provincial Supply Chain Management Unit continues to streamline and re-align its strategic objectives to focus mainly on improved audit outcomes, reduction of irregular expenditure, contract management, economic transformation and policy development and training.

During October 2020, the Unit introduced pre-order compliances assessments, which will assist in the identification of inconsistencies in procurement transaction prior to the issuing of orders. It is anticipated that this will result in a reduction of irregular expenditure.

The Unit continues to actively support the Financial Management Unit in ensuring appropriate condonation of irregular expenditure. The Unit continues to discharge its obligations in terms of approving contract deviations, variations and extensions, thereby allowing it to monitor potential weaknesses in SCM procurement systems in Departments.

The Specialised Unit within Provincial SCM monitors the implementation of economic transformation in the Province by vetting specifications prior to advertisements, to ensure the use of Regulation 4, 8 and 9 of the PPPFA to ensure targeted procurement is achieved. The Unit also reviews procurement plans of all departments and entities, to ensure transformation in all bids. The Unit is a key member of the Operation Vula Task Team.

The Unit continues to monitor progress and maintenance of vetted contract registers at Local Government level. Where municipalities are found lacking, the Unit provides support in updating and compiling specific contract registers.

The Unit is for the 21/22 financial year targeting Provincial departments in ensuring credible and legitimate contract management. A situational analysis has revealed that many departments do not have fully functional contract management units or officials, therefore rendering contract registers incomplete and outdated.

3.4 PROGRAMME 4: INTERNAL AUDIT – R107.237 MILLION (DOWN FROM R156.495 MILLION IN 2020/21)

The baseline decrease of 31.4% is mainly due to the function shift of the Forensic unit to the Office of the Premier as well as the compulsory budget cuts imposed on all provincial departments.

3.4.1 Assurance Services

Assurance Services is the sub-programme within the internal audit unit that is responsible for providing the independent and objective assurance on the adequacy and effectiveness of controls implemented across the various provincial departments. This assurance will be provided by a number of audit assignments that have been identified based on high risk areas.

The provincial internal audit framework has been developed to set out governance system appropriate for the sub-programme operations as a shared service, which may also be adopted by the hybrid departments as soon as they are ready to establish their own internal audit functions. The framework promotes standardization of audit methodologies, audit management systems, reporting processes, effective coordination of assurance effort with various governance stakeholders as well as functional structures and alignment of strategies.

Furthermore, it has been designed to enable integrated assurance reporting, whilst monitoring, training and skills development at both shared services and hybrid departments will be made easier. Implementation of the framework will commence in the current financial year.

A number of audits have been planned across the various departments, however, financial processes, including SCM related transactions will be a priority focus area for the 2022 financial year. Reviewing key account reconciliations throughout the year, the adequacy and completeness of Departments Audit Improvement Strategies and its implementation will also be prioritized.

In addition, a review will be conducted on the Annual Financial Statements for all provincial departments prior to submission to the Auditor General. PIAS will also conduct reviews on the compliance to Supply Chain Management prescripts in order to assist Departments identify any areas of non-compliance that may lead to irregular expenditure and/or fruitless and wasteful expenditure.

PIAS is also reviewing what had previously been robust audit processes to determine their suitability under present COVID 19 era, and is rethinking other possible ways to avoid what may appear to be constant unnecessary amendments on annual operational plans but rather introduce new dimensions where audits can be reprioritized under the circumstances. The disruptive changes to the unit's work patterns have placed new demand on its competencies as well as that of the auditors.

The unit is now striving to deliver on assurance support demands working remotely and without doubt, the audit management systems available must be improved. In this regard, the unit had to find new efficient approaches to effectively use IT systems to analyze data, enhance monitoring cyber controls, manage secured access to documents

and auditee personnel and even find ways of working closer with auditees without compromising their independence.

The knowledge and experience gleaned from these new ways have expanded the value of internal audit's role within it. A collaborative approach is adopted by the Unit, where IT systems and IT governance processes will also be reviewed. In addition, the unit will also be conducting performance audits at certain departments. One of the focus areas will be on the value for money on consulting services.

The efforts by Internal Audit to assist Accounting Officers can only materialize if recommendations for improvements are implemented effectively and on time by Departmental management. PIAS will therefore also review the implementation of the various agreed upon action plans for both internal audit and the Auditor General findings by conducting follow up reviews on previous audits. The unit plays a key role in supporting the Executive's goal to ensure that provincial departments achieve clean audits but that the goal can only be realized if management and the executive take keen interest in the work done by PIAS.

The outcome of all work conducted by PIAS will continue to be monitored and overseen by the Provincial Audit & Risk Committee (PARC). The Committee will also continue to provide their oversight on other financial reporting processes and to report regularly to the Executive and other relevant structures.

The new audit and risk committee will be appointed before the end of August 2021 and they too will promote accountability and responsibility on the part of Accounting Officers, working together with other independent oversight stakeholders such as the AG and the Legislature.

3.4.2 Risk and Advisory Services

The Risk and Advisory Service is a sub-component of the Internal Audit Programme. The Unit is tasked with supporting Departments, Public Entities and Municipalities on risk management and governance-related matters.

The Unit has developed various risk, governance and control related frameworks, such as the revised Provincial Risk Management Framework, Municipal Risk Management Framework and Combined Assurance Framework. These frameworks, provide minimum risk management and internal control standards that provincial departments and municipalities must comply with. These frameworks will be rolled-out during this financial year to enhance risk management and internal control in departments and municipalities.

We strongly believe that our efforts to realize an effective implementation of integrated risk management will produce a number of benefits to all provincial departments and municipalities, which are not available from the typical limited-scope risk process as the new framework requires a broader approach to risk management to address risks across a variety of levels in these government institutions, including strategy and tactics, and covering both opportunity and threat.

The new frameworks encourage an enterprise-wide approach, which through effective use of the CURA risk management system at our disposal, will defuse the current evident disconnect which often occurs between strategic vision and tactical project delivery which typically arise from poorly defined project objectives and associated risks.

The Unit will continue to provide risk management and internal control support to departments and municipalities through, among other things, assisting all departments and selected municipalities with the development of credible ethics and corruption risk registers; assisting selected municipalities with the assessment and enhancement of audit committee and internal audit effectiveness; and providing all departments and selected municipalities with appropriate risk management and internal control training. In particular, internal control practitioners in provincial departments that have established internal control functions will be supported in order to enhance the effectiveness of internal control functions.

Although limited support is provided to public entities due to budget constraints, the Unit will develop risk management and internal control frameworks for customization and adoption by all provincial public entities.

High level reviews of how departments comply with COVID 19 directives have been performed during the preceding year. These reviews included development of various COVID 19 guidelines and COVID 19 transversal risks. The focus for this financial year will include assisting departments with the identification of appropriate COVID 19 risks and appropriate controls which will enable departments to comply with set COVID 19 directives and thereby reducing the risks of COVID 19 transmissions.

3.5 PROGRAMME 5: MUNICIPAL FINANCIAL MANAGEMENT – R81.077 MILLION (UP FROM R76.730 MILLION 2020/21)

The KZN Provincial Treasury as well as the KZN CoGTA have important roles to undertake supporting municipalities improve their audit outcomes. KZN CoGTA is responsible for improving governance within municipalities which provides the foundation for the Provincial Treasury to effectively deliver financial management support. The departments operate using a collaborative approach which is aimed at assisting municipalities in improving their audit outcomes and building capacity where required through the efficient use of financial and human resources.

The Municipal Finance Management Unit within the KZN Provincial Treasury provides oversight, technical support and guidance to assist municipalities in managing their financial resources prudently and sustainably.

The increase in budget allocation for the Municipal Finance Management unit is due to additional funding from National Treasury to build capacity with the Provincial Treasuries.

This Municipal Revenue and debt management sub-programme is being phased-in from the 2021/22 financial year and is aimed at providing technical support to selected municipalities to assist them in improving revenue and debt management processes and controls. Funds have been set aside to fill critical vacancies on the revised organizational structure which was approved in August 2020.

The Municipal Finance Management unit also includes the Municipal Budget sub-programme, the Municipal Accounting and Reporting sub-programme as well as the Municipal Support Programme.

The Municipal Budget sub-programme will continue to focus on enhancing the technical support to capacitate delegated municipalities on the preparation of multi-year budgets with the objective of improving the funding position of the delegated municipalities' budget. The ongoing engagements with the senior management at the municipalities and formalised feedback on the budget assessments provided to municipalities are also aimed at promoting realistic and funded municipal budgets. With the current ongoing implementation of mSCOA, more focus will be placed on capacitating delegated municipalities to improve the quality of the data strings (financial information from the municipalities' financial system).

The Municipal Accounting and Reporting sub-programme provides technical support to selected municipalities on financial management in order to promote financial sustainability and to monitor compliance with the annual reporting framework. The initiatives include the improvement of financial management processes and controls as well as the transfer of skills to assist municipalities in improving their financial management practices and ultimately contribute to the improvement of audit outcomes.

The Municipal Support Program is committed to provide specialist support to municipalities in identifying means to promote sound financial management and sustainability. The Municipal Support Programme initiatives are focused on providing technical support and the transfer of skills.

Whilst the Municipal Finance Management Programme is dedicated to supporting and assisting municipalities, the onus is on the political and administrative leadership to leverage of the initiatives undertaken by the programme to fully appreciate the impact thereof.

4. 4TH INDUSTRIAL REVOLUTION TO IMPROVE SERVICE DELIVERY

Madam Speaker and Honourable Members, we have taken a decision as Treasury to emerge from the destruction created by COVID-19 with a new thinking and innovation in the area of financial management.

We are embracing new processes that uses digital platforms. This will ensure that we do our work efficiency and in a cost effective manner.

As we move forward, we intend to use blockchain technologies, artificial intelligence and big data analytics. These are digital innovations that must be piloted across all departments and municipalities.

There is an urgent need to rollout automated risk management systems including integrated Supply Chain Management automation on blockchain and Artificial Intelligence.

We want to focus on project based budgeting and performance on automated cloud solutions.

Using digital platforms, we will place special emphasis on effective supply chain practices and eliminate inadequate contract management and uncompetitive or unfair procurement processes.

5. CONCLUSION

Madam Speaker and Honourable Members, the total budget for the Provincial Treasury is R653.845 million.

We will continue with efforts to create an image of a responsible, clean and caring government. We will ensure that Treasury employees, at all levels, project an image of a caring government that responds to the needs of the people.

Critically, Budget Vote 6 represents our efforts to ensure that the resources of the province are used for the advancement of all communities. The equitable distribution of resources and the eradication of poverty are key elements of a democratic society that Mama Charlotte Maxeke envisioned.

We therefore want 2021 to be a year that does not just come and go. But this will be a year in which we leave an indelible mark on the soul of the people of this province because of the work that we do.

Our work will be geared towards enabling every department, every entity and every municipality to ensure that the people of this province have a share in the socio-economic progress of our country.

I would like to take this opportunity to thank HoD Neli Shezi and the entire team at Provincial Treasury for their hard work and dedication which is evident in the smooth day-to-day operations and the achievements made over the years by the Department.

I also want to extend gratitude to Members of this House, the Premier, Members of the Provincial Executive Council, my family and my organisation the African National Congress for their unwavering support and guidance they have and continue to give me.

I present Vote 6: Provincial Treasury for 2021/2022 for consideration of this august House.

I thank you.