

**MEC'S ADDRESS DURING THE KZN PROVINCIAL TREASURY'S  
CFOS' FORUM HELD IN COLLABORATION WITH THE SOUTH  
AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS AND  
ACCOOUNTING STANDARDS BOARD**

**31 MAY 2022**

Programme Director, Ms Karusha Pillay

Members of the CFOs' Forum

Mr Odwa Benxa from SAICA

Ms E van der Westhuizen from Accounting Standards Board

Ms Amanda Botha from Accounting Standards Board

Head of Department, Ms Carol Coetzee

KZN Treasury Colleagues

Members of the Business fraternity in the Province

Ladies and Gentlemen

I am honoured to be addressing such a strategic forum and what makes it even more significant for me is the presence of our very important stakeholders, South African Institute of Chartered Accountants as well as the Accounting Standards Board.

As you are aware-this session is taking place during a period when our province is focusing on rehabilitating our infrastructure following the floods disaster of last month.

Unfortunately, this state of disaster will have a huge impact on the finances of the province as we can expect.

However, we are poised to carry on with our work of carefully managing our finances.

Our focus is to ensure that we do the reprioritisation from our baseline budgets. This means departments have to look at their planned projects and decide which projects can be delayed and make those funds available for infrastructure rehabilitation.

The floods came when the province was still managing the impact on finances as a result of covid-19, July protests, riots and trucking freight strikes that has dented our public finances.

That is why I said having SAICA and ASB in this session today very important. It is now more crucial than ever for us as Provincial and Local government to continue to work in partnership with various private sector stakeholders in order learn from each so that we can serve our communities better.

Despite the challenges facing the municipal environment, KZN Provincial Treasury continues to commit itself to supporting municipalities and promoting good financial governance in the public sector.

In terms of Section 5 of the Municipal Finance Management Act (MFMA): General functions of National and Provincial Treasuries, KZN Provincial Treasury performs an oversight and monitoring function but also provides technical support and guidance to help municipalities by instilling effective financial management practices.

At a micro level, KZN Provincial Treasury focuses on providing structured support in conjunction with training and transfer of skills at specifically targeted municipalities in the Province. Concurrently, at a macro level, the intention is also to provide support through educational platforms such as CFO forums and frequent training seminars on relevant financial and governance matters. We want to enhance the type of support that we give to our municipalities because they are the ones that are at the coal face of service delivery.

We understand that these CFO forums and training seminars are developed taking cognisance of relevant areas identified during the audit process, analysis of audit reports and emerging risks in the management reports as well as a result of the In Year Monitoring process in terms of Section 71 of the MFMA.

With special reference to Section 71 of the MFMA: Monthly Budget Statements, it has been identified that municipalities are poorly reporting in this regard with information submitted being incomplete, inaccurate or not timeously uploaded. This information is crucial as it forms a basis of live monitoring of key data by KZN Provincial Treasury and is used as an early warning system for identifying potential problems and developing solutions.

The risk of submitting poor reports is that we will be more likely to arrive at incorrect conclusions and that is why it is imperative that municipalities make a concerted effort to report accurately and timeously in order for KZN Provincial Treasury to provide the appropriate support.

Chief Financial Officers are a critical resource in our government. We rely on you to guide our government in the most sensitive part of our public service, the management of public finances. We expect that those of you who have better capacity and knowledge of applicable financial systems share it with others in order for our departments and municipalities to keep improving every year. I guarantee you that if this improvement happens year in and year out, we will see our communities getting served better and that is what all of us in government are employed to do.

Having said that Programme Director, it is fitting that I acknowledge the 8 municipalities that improved their audit outcomes in the Province:

<b>Municipality</b>	<b>Audit Improvement</b>
Umdoni	Qualified to Unqualified with findings
Msunduzi	Qualified to Unqualified with findings

Big 5 Hlabisa	Qualified to Unqualified with findings
Zululand	Qualified to Unqualified with findings
Ubuhlebezwe	Qualified to Unqualified with findings
King Cetshwayo District	Unqualified to Unqualified with no findings
Umzinyathi District	Disclaimer to Qualified
Amajuba District	Disclaimer to Qualified

For those municipalities that have regressed or are qualified or disclaimers, we want to say to you KZN Treasury is available to help. Improvement is a must. It is non-negotiable. Otherwise we are not being stewards of the public resources that are in our care for the communities. We need to see turn-around strategies or else consequent management will have to take its course.

Compliance with established Supply Chain management (SCM) process is mandatory for government. That is why as KZN Treasury, we are accelerating compliance with all SCM prescripts in provincial departments, municipalities and public entities.

This will be a focal area to support continued enforcement of compliance and enhance the link to effective delivery mechanisms and financial management reforms.

We constantly have to emphasise the need for improved collaboration and strengthened coordination through the effective implementation of the district development model and complete elimination of the silos prevalent across the state and even within departments. Our people require decent, reliable services at an affordable rate and our businesses that drive economic growth and stimulate jobs, require effective infrastructure that supports economic activity supported by stable and consistent policies driven by a transparent and ethical state.

As emphasised by the Auditor General and supported by KZN Provincial Treasury, it is essential that leadership and management must pay closer attention to **service delivery** and transparency in the reporting.

Leadership, oversight and governance structures must **enforce a high performance culture as part of the accountability ecosystem** with zero tolerance for transgressions and non-compliance with legislation.

The importance of **key controls, policies and standard operating procedures** and how these fit into **roles and responsibilities** in the daily execution of tasks must continue to be cultivated and monitored by management.

KZN Provincial Treasury will continue to assist through our support initiatives, however we must draw attention to Sections 61-65 and 81 of the MFMA which respectively places financial management responsibilities on the Accounting Officer and Chief Financial Officer. The primary responsibility to avoid, identify and resolve financial problems in a municipality rests with the municipality itself in terms of Section 135(1) of the MFMA.

Taking cognisance of these factors, our collective success can only be achieved and sustained with the support, awareness, discipline and commitment of the political administrative and finance municipal officials.

KZN Provincial Treasury will work in partnership with municipalities to institute a vision of more effective financial management and consequently a better served Province.

As we move into the 4<sup>th</sup> industrial revolution, it is recommended that municipalities use technological mechanisms as a means to progress, advance and effectively address challenges in the constantly evolving municipal environment. Some of these mechanisms include use of MS TEAMS for meetings, attending these virtual seminars and trainings, participating in e-learning, applying the process of digitisation as well as virtual learning, etc.

KZN Provincial Treasury, at the forefront of innovation, will continue to endeavour to provide these virtual training platforms as another means of capacity building and knowledge sharing.

KZN Provincial Treasury has historically cultivated collaborative relationships with key stakeholders such as the National Treasury (NT), Office of the Auditor-General South Africa (AGSA), South African Institute of Chartered Accountants (SAICA), Accounting Standards Board (ASB) and South African Revenue Service (SARS) in order to assist with capacity building.

Today we would like to take this occasion to also welcome our esteemed knowledge specialists from SAICA (Mr Odwa Benxa) and ASB (Ms E van der Westhuizen and Ms A Botha) as well as thank them for working in partnership with KZN Provincial Treasury to undertake this beneficial seminar for our municipalities.

We look forward to future collaborations and appreciate the opportunity to further develop and strengthen our relationship with SAICA and ASB both of whom are key role players in the public sector whilst simultaneously providing relevant support and guidance to our municipalities.

This forum intends to focus on key updates on Generally Recognised Accounting Practice (GRAP) Standards effective for the 2021/22 financial period to assist in the preparation of financial statements for the period ending 30 June 2022 as required by Section 122 of the MFMA on the Preparation of Financial Statements. It is important that municipalities make the best of this event and use this as a guide for the upcoming AFS preparation period. KZN Provincial Treasury will also have further training seminars to aid in this regard.

Knowledge alone, however, is not a catalyst for success, the essence of which lies in its practical application.

These forums and training seminars are not geared as merely a transfer of knowledge, but aimed rather at inspiring the will of our municipalities to take action.

True economic freedom lies in educating our municipalities, and KZN Provincial Treasury is also steered by the philosophy of former President Nelson Mandela, “Education is the most powerful weapon which you can use to change the world”

Municipalities are strongly urged to make a concerted effort to continuously keep abreast of technical updates, changes and new reforms and ensure effective capacity building at all levels, consequently improving financial management and ultimately service delivery, noting that a well-served community creates economic momentum which promotes sustainable growth and development.

In conclusion, as we engage today, I just want to assure you colleagues that our focus is unwavering. Our finances have to be managed wisely on a continuous basis and service delivery must never be compromised.

Thank you.