

**SPEECH B Y MEC FOR FINANCE, MS NELISWA PEGGY KONYENI ON QUARTER 1
PERFORMANCE REPORT FOR KZN TREASURY AT THE LEGISLATURE**

22 SEPTEMBER 2022

Honourable Speaker, Ms N. Boyce

Honourable Deputy Speaker, Mr T. Mthembu

Honourable Acting Premier, Ms N. Simelane

Honourable Leader of Government Business, Mr S. Duma

Honourable Members of the Executive

Honourable Members of the Legislature

**Provincial Treasury Management led by the Head of Department, Ms Carol
Coetzee**

Friends and Colleagues

Good Day

Honourable Speaker, we are pleased to have an opportunity to have this engagement on the Quarter One performance of Provincial Treasury.

Honourable Members, as the newly appointed MEC one wishes to express words of gratitude to my predecessor Honourable Dube-Ncube who is now the Premier for ensuring that this department maintains its good standing position.

As the Provincial Treasury we have already started the programme of engaging other Political Offices of various Departments to discuss their financial standing.

One must say upfront that we honoured to be part of a department that has continuously shown, over many years, that it is committed to delivering on its mandate which is evidences in the attainment of 14 consecutive clean audit

reports. Madam Speaker, it is well known that whilst this is an admirable achievement, given the mandate of the Department, there should be a measurable impact and positive change in Provincial Department's and other State Institutions audit outcomes in the province as the result of our programmes.

In this regard, the Provincial Treasury plays a critical role in the continued implementation of the Provincial Operation Clean Audit and the results clearly demonstrate that there has been success given the overall improvement in the provincial PFMA audit outcomes. **Based on the unofficial audit** results there has been an overall improvement in audit outcomes, with an improvement in the number of clean audits from 5 in the previous year to 8 in the current year and a reduction in the number of qualified audit opinions from 3 to 2 respectively.

The **unofficial audit** results for the 2021/22 financial year reflected that 8 departments achieved clean audits, 5 departments received unqualified audit reports, while 2 departments received qualified audit reports.

Honourable Members, this is indeed positive progress, but as KZN Treasury, we strive to continue improving financial management capabilities in departments and other public institutions in order to ensure that we maintain clean audits while reducing significant audit findings and directly impacting on increasing the number of clean audits in the province.

As the collective Provincial Government, we have committed to taking drastic steps to ensure that audit outcomes improve, year-after-year. KZN Treasury is ready to provide technical support to departments, municipalities and state entities, but we also want to continue to pro-actively attend to possible adverse

financial outcomes before they become a reality. We will supplement this support with close engagements with political offices to ensure that they are empowered to exercise their oversight role in financial management with a thorough understanding for the responsibilities contained in the Public Finance Management Act and Municipal Finance Management Act as well as other associated regulations.

Madam Speaker, during the quarter under review, the Department achieved 93 percent performance across all five programmes against the planned targets for quarter one. The non-achievements, in the main, related to external factors beyond the control of the department, such as the political instability affecting administration in certain targeted municipalities wherein our services cannot be rendered due to restricted access to the municipal offices.

Our Department is made up of 5 programmes, and they are as follows:

Programme One: ADMINISTRATION

This programme's core functions are:

- ▶ Providing strategic leadership and support services to the core programmes within the department.
- ▶ Providing effective management of departmental finances in line with statutory requirements through the CFOs office
- ▶ Providing optimal Corporate services which include Human Resource, IT, Communications, Legal and security services to the department.

The programme achieved 100 percent in line with their quarterly planned performance targets.

Programme Two: SUSTAINABLE RESOURCE MANAGEMENT

This programme's core functions are to:

- ▶ Manage, maintain and monitor the fiscal sustainability of the province
- ▶ Support improved and sustainable infrastructure delivery
- ▶ Determine and evaluate economic parameters and socio-economic imperative that informs provincial and local resource allocation.
- ▶ Provide infrastructure support through the Infrastructure Delivery Management System.
- ▶ Promote effective and optimal financial resource allocation for provincial government (including public entities)
- ▶ To provide substantial technical, financial and legal advice in support of all provincial PPP projects in line with the PPP projects cycles as regulated by National Treasury guidelines.

The programme achieved 100 percent based on their planned quarterly targets.

Programme Three: FINANCIAL GOVERNANCE

This programme's core functions are :

- ▶ To provide Financial Management Support, Financial Systems support and Supply Chain Management support to provincial Departments, Municipalities and Public Entities.
- ▶ To provide audit readiness support to provincial departments and public entities with the objective of achieving favorable audit outcomes in the province

- ▶ To promote economic and effective management of Assets and Liabilities, Supply Chain Management processes, reliable Financial Management Information Systems and ensure compliance with applicable norms and standards in the public sector
- ▶ The sub-programmes under this programme are Asset and Liabilities Management, Supply Chain Management, Accounting Practices, Financial Information Management Systems and Norms and Standards.

The programme achieved 94 percent of its targets. The only measurable indicator that was not achieved related to the implementation of the Invoice tracking system which based on the shortcomings and deficiencies identified in the system during the pilot implementation phase, will no longer be implemented and will be removed from the Annual Performance Plan. **Members will also note certain areas of overachievements for this quarter as the number of support requests were substantially higher than was initially anticipated. The units were also required to undergo Pre-Order assessments of Disaster procurement of over R1m in value and this required a revision of the planned activities for the month. The SCM teams were required to support and advise departments on the procurement processes in terms of the required exemptions due to the Constitutional Court Ruling in relation to the Preferential Procurement to ensure minimal impact on service delivery whilst ensuring compliance with the relevant prescripts. This also included advising appropriate procurement strategies during the disaster to fast track procurement whilst adhering to the provision for emergency procurement.**

Programme Four: INTERNAL AUDIT

This programme's core functions are:

- ▶ To provide shared Internal Audit Services and Risk Management services to provincial departments, Municipalities, and certain public entities.
- ▶ To provide administrative support to the shared Provincial Audit & Risk Committee and its 3 Cluster Audit Committees.
- ▶ To promote good governance by performing Internal Audit to Provincial Departments and Risk Advisory services at Public Sector Institutions.
- ▶ To provide transversal risk management support to provincial departments and municipalities.
- ▶ The sub-programmes under this programme are Assurance Services and Risk Management

The programme achieved 78 percent of the first quarter targets owing to the delays in the providing audit technical support to municipalities based on their requests to postpone the commencement of these services given the current disturbances in certain municipalities where there are protests related to political instability.

There were areas of overachievement in the first quarter which related to a rollover of incomplete projects from 2021/22 which were completed in the first quarter.

Programme Five: MUNICIPAL FINANCE

This programme's core functions are to:

- ▶ Provide oversight, technical support and guidance to delegated municipalities.
- ▶ Promote optimal and sustainable municipal budgets as well as promote optimal implementation of budgets by municipalities and reporting on related compliance.
- ▶ Assist, support and monitor municipalities with financial management and compliance with the annual reporting framework.
- ▶ Assist and provide technical support to delegated municipalities to promote sound financial management and sustainability.
- ▶ Assist and provide technical support to delegated municipalities on revenue and debt management

This programme achieved 100 percent of the planned targets for the quarter with a number of over achievements due to incomplete projects from 2021/22 being completed in quarter one. The challenges mentioned above with regards to the political instability at certain municipalities is impacting on the ability of this programme to provide hands on support at municipalities and could potentially impact on quarter two and the remainder of the years' performance. I have been briefed on these matters and will be engaging MEC COGTA and the respective municipalities to resolve these issues as the larger impact will be felt by the communities as services are not delivered.

Honourable Members, as the Provincial Treasury, we need to set the standards for all government institutions and therefore we are on a continuous service

delivery improvement drive particularly given the fiscal restraints and limited resources we face as a province.

Improved performance is a requirement, not just for KZN Treasury, but for all government institutions in order to better serve our communities

Honourable Members, the truth as you know it, is that during the quarter under review, the province has been dealt a heavy blow with the devastating floods shattering people's lives leaving them homeless and hopeless. The effects of the floods will stay with us for many years as the funding is simply not sufficient to complete all repairs and reconstruction in one year which is crucial for the economic recovery of the province. The challenges we have experienced in the recent past have shown us that we cannot expect to realise the vision of the Provincial Growth and Development Strategy if we continue to work in a fragmented fashion. I must emphasise the need for improved collaboration and strengthened coordination through the effective implementation of the district delivery model and completely eliminate the silos that are prevalent across the three spheres of government and even within departments themselves. With dwindling financial resources, we need to become entrepreneurial through innovative solutions- simply stated we must do more with less and eliminate any waste of state resources.

The Department's vision is to be the center of excellence in the financial and fiscal management in the country and we continue to work towards achieving our vision, this will require ongoing review through our newly established monitoring and evaluation team and strengthening areas of service delivery based on the feedback from our client Departments, entities and municipalities.

As we deliberate on Departmental performance for the first quarter I want to assure you, Honourable Members, that our focus is unwavering. Given our mandate and impact we have on the province, our finances must be continuously managed wisely with effective and efficient service delivery to our critical stakeholders.

I, as MEC for Finance, along with my Department recommit ourselves to ensure that we remain focused and achieve the targets set in our Annual Performance Plan which will contribute to our strategic impact statement of having **Credible, Accountable and Ethical Fiscal and Financial Management Practices in the Province of KwaZulu-Natal**

Thank you.