

KWAZULU - NATAL
PROVINCIAL TREASURY

VOTE 6
BUDGET
SPEECH
2023/24

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TABLED BY THE MEC FOR FINANCE,
HON. NELISWA PEGGY NKONYENI

21 APRIL 2023

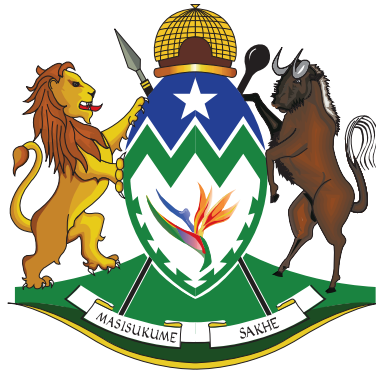


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**BUDGET POLICY SPEECH VOTE 6 FOR THE KWAZULU-NATAL PROVINCIAL
TREASURY, DELIVERED BY
THE MEC FOR FINANCE, HON. NELISWA PEGGY NKONYENI, MPL
DURING THE LEGISLATURE SITTING, PIETERMARITZBURG
FRIDAY, 21 APRIL 2023**

Honourable Speaker, Ms Nontembeko Boyce;
Deputy Speaker, Honourable Themba Mthembu;
Honourable Premier, Honourable Nomusa Dube-Ncube;
Leader of Government Business; Honourable Sboniso Duma;
Members of the Provincial Executive Council;
Members of the Provincial Legislature;
Mayors and Councillors of Local Government;
Director General; Dr Mkhize;
Head of Department; Ms Coetzee;
Traditional and Religious Sectors;
Our stakeholders;
The people of KwaZulu-Natal;
Distinguished Guests;
Members of the media;

1. INTRODUCTION

Honourable Speaker, six days from today, the country will be commemorating the 29th Anniversary since the attainment of our hard-earned democracy. Standing here today, we are reminded that on the 27th of April 1994 millions of South Africans queued to cast their first ever ballot in deciding their future. A lot has been achieved by the ANC-led government in this period but, it is true that there is a lot more that still needs to be done. One of the country's celebrated achievements that the nation prides itself with, is the Constitution which guarantees the Human Rights, hence as a country we were celebrating the Human Rights Day last month.

Guided by courageous women of the struggle for the total destruction of patriarchy, this budget is also women-centered, as, Winnie Nomzamo Madikizela-Mandela once said,

“It is only when all black groups, join hands and speak with one voice that we shall be a bargaining force which will decide its own destiny”

Somlomo, miningi imizamo eyenziwe yizwe kanye nesiFundazwe sakithi ukuqikelela ukuthi abantu besifazane, intsha kanye nabakhubazekile nabo bayathuthukiswa baphinde bahlomule ezinhlelweni zikaHulumeni. SiwuMnyango kaMgciniMafa wesiFundazwe (Provincial Treasury), ngaphambilini sethula isiphakamiso ngaphambi kwalendlu ehloniphekile ukuba iMinyango kaHulumeni, oMasipala kanye neziNkampani zikaHulumeni ziqale zibe nezinhlelo ezibhekelela ubulili uma zenza izinhlelo zazo zezezimali. Sikholelwa ukuthi lokhu kungasiza kakhulu ukuthuthukisa abantu besifazane.

On that note Honourable Speaker, we are also aware that April is a very significant month in the calendar of our country as we remember the country's revolutionaries and stalwarts including Mom Winnie Nomzamo Madikizela-Mandela, Oliver Reginald Tambo and Chris Hani. They dedicated their lives and fought relentlessly against the apartheid regime. Moreover, they committed themselves in the struggle against the triple challenges of poverty, unemployment and inequality as well as peace and social justice. In these trying times, we remember their wisdom and courageous efforts in guiding the prosecution of the struggle towards the total liberation of our country.

As we celebrate this milestone in the history of our democracy, we are reminded of the wise words by Chris Hani where he said,

“If you want peace then you must struggle for social justice.”

That is exactly what we aim to achieve through this budget because we believe that this freedom will be meaningless without the complete realization of peace and social justice.

With that being said, we are well aware of the persistent challenges including the escalating crime and Gender-Based Violence facing our country. As the ANC-led government, we have identified key priority areas where we need to focus on as a matter of urgency, hence the establishment of

the Economic Reconstruction and Recovery Plan which is at the center of resolving the challenges that we alluded to. This plan provides a decisive and a clear focused strategy to address some of these critical challenges, which include among others;

- The Renewal of the nation
- Resolving the energy crisis to end load-shedding;
- Boldly mobilising social partners around economic reconstruction and recovery in order to increase job creation, investment and empowerment;
- Improving delivery of basic services and maintaining infrastructure;
- Strengthening the fight against crime and corruption;
- To build a better Africa and the world.

Somlomo, angingabazi ukuthi amalunga alendlu ehloniphekile kanye nabo bonke abantu balesiFundazwe bayavumelana nami uma ngithi kuzo zonke lezinto ezingenhla, okubaluleke kakhulu, ukuxazulula inkinga kagesi kanye nokulwa nobugebengu.

Therefore, tabling this budget today should be taken in the context of addressing these challenges while also continuing to deploy resources and expertise in order to ensure that we achieve good governance, fiscal discipline and financial prudence in our province.

Madam Speaker, allow me to table the 2023/24 Budget Vote for Provincial Treasury, and our allocation in this financial year is **R678.910 million**. With this budget we are decisive in addressing key challenges facing our communities.

2. PROGRESS AGAINST LAST YEAR'S COMMITMENTS

It is important that we reflect on the goals we had set for ourselves last year, and to indicate to this House whether these were achieved before we focus on our plans for the upcoming year.

Kulandela iziphakamiso ezenziwa ngonyaka owedlule, sasinamaviki amabili nje onyakeni wezimali ngenkathi isiFundazwe sakithi sikhahlamezwa izikhukhula ngo April ezadala umonakalo omkhulu ezingxenyeni eziningi zesiFundazwe. SinguMnyango kaMgciniMafa wesiFundazwe, sabe ke sesijutshwa ukuba siqinisekise ukuthi zonke izimali ezisetshenziswayo ngalesikhathi zisebenza ngendlela futhi kulandelwa yonke imigomo yokusebenza kwezimali.

In this regard, we were required to reprioritise our plans for the year and allocate necessary resources to support this critical endeavor. This included a number of interventions which will be elaborated on below, but in summary they include:

- a. Pre-award assessments of all procurement over R1 million in value
- b. Weekly reporting to Cabinet and National Treasury by all departments on disaster expenditure
- c. Reporting on the cash donations received and recommending the allocation thereof
- d. Auditing with a focus on Value for Money of work undertaken by departments in repairing infrastructure and providing temporary housing solutions, whilst at the same time co-ordinating the Auditor-General real time audits to avoid duplication of work. The aim of this was to enhance the reliance the public could place on the processes and the spending incurred as part of the flood recovery plan.
- e. Reporting to various oversight structures on a daily, weekly and monthly basis, including the Technical and Political Disaster Committee, the Provincial Disaster Management Centre and the Presidential oversight structure
- f. Budget adjustments were required given the lack of adequate funding from National Departments and the urgent need to begin the repair work. Provincial Departments reprioritised an amount of R3.129 billion in 2022/23 in total in response to the flood response and R1.059 billion was provided by National Government in the form of relief funding. There was also an allocation of R454.313 million allocated by National Treasury in 2023/24 towards these flood repairs.

Whilst the priority for the first two quarters of 2022/23 was to support our departments and municipalities during this turbulent time, Provincial Treasury, as an oversight department, was still required to deliver on its mandate and, in this regard, I would like to share the progress that was made against the pronouncements made in the previous year:

Monitoring and evaluation - Studies on financial management support initiatives provided to Departments, Public Entities and Municipalities.

A departmental evaluation committee was appointed and a three-year evaluation plan was developed and approved. A total of five evaluation studies have been planned for execution over the 2023 to 2026 evaluation cycle. In 2023/24, an evaluation study to assess the impact of the support provided to delegated municipalities with respect to the quality of annual financial statements and a rapid evaluation study on the support provided towards the implementation of Preferential Procurement Regulations (PPR) has been planned.

Improving processes through automation, focusing on cyber security and shifting to cloud services

Provincial Treasury has ensured that it embraces technological solutions and, through the implementation of the IT strategy aligned to the provincial approach, a total of 4 business processes were automated during 2022/23. These range from the automation of the IT Service Help Desk and Incident Management, document tracking and digital signatures, a tool for the automation of

training nominations for staff, as well as a tool for compliance assessments in Departments and Municipalities. Furthermore, process automation of e-learning portals to assist with the training of Departments and Municipalities has started and full implementation thereof will be completed in 2023/24.

The procurement of new servers was concluded on the 28th of March 2023 through SITA and will further strengthen the capabilities and efficiencies of the Department's key business processes. We have not been satisfied with the quality of support we have received from SITA which has impacted our productivity and access to critical data. As a result, we have instituted penalties on the various service level agreements.

Cost Containment

The ICASA spectrum license provides the province with solid justification to revise to detail Provincial spending on ICT. The spectrum licence award comes with tangible benefits to the provincial fiscus including but not limited to the issue of connectivity. Our revised approach will look at how the province can take advantage of Economies of Scale, improve efficiencies, and most importantly, cost savings by cutting duplications on ICT infrastructure including software licences.

Progress on filling vacant positions

One of the key reasons for historic under-spending in the Department has been due to the high level of vacancies in the Department. As a result, a commitment was made to fill all vacant positions by 31 March 2023. The Department finalized 81 out of the committed 107 posts during 2022/23. Unfortunately, even with the posts filled, it has not resulted in a significant reduction in the vacancy rate due to the following reasons:

- 32 positions had to be re-advertised due to either a lack of suitable candidates or the retention of nominated candidates by their employers;
- 23 positions were filled by internal staff members resulting in further vacancies which are required to be filled; and
- The Department is experiencing a high staff turnover. A total of 23 officials have exited the department from April to date with a large proportion remaining in the Province but employed by other departments.

On a positive note, we are retaining many of our interns and South African Institute of Chartered Accountants (SAICA) students in entry level positions and these play a critical role in providing a pool of talented financial management skills for the Provincial public service.

A total of 68 positions are currently at various stages of the recruitment process and these will be finalised by the end of May 2023. The Honorable Premier has granted approval to fill a further 29 vacancies, and these posts are aimed to be concluded by the end of August 2023. Despite the enormity of processing a large quantum of applications received given the current level of unemployed young graduates who apply, for example, for entry level posts where we can receive more than 1500 applications on average, all of which must be assessed individually, the department remains committed to fast-tracking the filling of all vacancies.

Job Massification

During the 2023 SOPA an announcement was made that all front-line Departments should contribute to the provincial job massification drive and, whilst Provincial Treasury is not a front-line department, with the savings realised during the year, an amount of R10 million was suspended during the November Adjustments Estimate process for re-allocation in the 2023/24 budget and these funds will be utilised for the employment of 70 interns in the construction discipline to undertake condition assessments of government facilities in partnership with the Department of Public Works. The draft MOU has been prepared and the programme will commence in the first quarter of the new year. The programme is envisaged to provide 12 months' working experience and aims to open opportunities for young graduates to hopefully find permanent employment thereafter.

Provincial Budget Management

One of the areas we feel we have achieved a significant milestone is in the inter-governmental discussions that were held over the past few months in highlighting some of the budget pressures in the province. In this regard, Provincial Treasury reported the budget pressures in Education and Health at various National sector meetings and in the engagements with National Treasury at Budget Lekgotlas and Budget Councils. This resulted in the Province receiving significant additional funding for the Departments of Education and Health over the 2023/24 MTEF as we explained in the provincial budget speech.

In addition, the task team was formed, including Provincial Treasury, National Treasury and COGTA (National and Provincial) to discuss, cost and operationalize the backpay of izinduna in our province. This resulted in our Province receiving an allocation of funds to fully cover the amount owed to Izinduna. As we indicated in the provincial budget speech, these funds will be paid to Izinduna by COGTA which will ensure that there are proper controls in place before these funds are disbursed. Provincial Treasury will also be assisting that proper controls are in place in this regard.

We were also very pleased to see several Departments, including Provincial Treasury, supporting the Social Sector departments and Public Works when faced with serious spending pressures when we tabled the Second Adjustments Estimate in this House on 30 March 2023. The Second Adjustments Estimate has mitigated the risk of a significant overdraft position through the allocation of savings and under-spending by Departments and, whilst these Departments could have requested for a suspension of these funds to 2023/24 as several critical projects were required to be implemented, the Provincial Executive Council took a bold and a decisive decision in dealing with the matter. We simply could not revert to the 2008/09 financial position where we had gone into overdraft and, whilst there are still significant spending pressures and material accruals expected at year-end, Provincial Treasury will endeavor to ensure that prudent fiscal management is employed in the Province.

Revenue Management

An initial study into the revenue earned by Departments and also by schools through placing cellphone mast towers on Government properties was undertaken.

With respect to mast towers on school properties, this revenue is collected by the respective schools and assists them with their operating costs. However, it would appear that the Department of Public Works could assist the Department of Education to determine a fair income per school by basing the amount collected on the property valuations, as currently there are varying methods of determining the amount to be collected from each mast tower and revenue may not currently be maximized.

The research undertaken concluded that deeper research is required, though the initial findings are that some work could be undertaken by the Department of Public Works to develop a marketing strategy with respect to government properties that are suitable for erecting such towers and to approach the cellphone companies in this regard. The rate charged is currently based on property valuations and this was deemed an acceptable method of determining a fair price, with the only method to increase the revenue being collected by the Province then being to increase the reach through the proposed marketing initiative.

Supply Chain Management

There has been a flurry of activity in the Supply Chain Management (SCM) space in the Province, with the year commencing with a void of legislative prescripts as the outcome of the Constitutional ruling was being interpreted, resulting in all organs of state applying for exemption in order to continue procuring goods and services. This culminated in revised national Preferential Procurement regulations being issued relatively late in the year (November 2022) with an effective date of 16 January 2023. The Provincial Executive Council resolved that there should be consistency in the Province, and a guideline framework was issued to ensure compliance with the new regulations.

Provincial SCM undertook extensive workshops in all districts in the Province. These sessions were well attended by Government officials and service providers to ensure an understanding of the new regulations and the SCM processes related thereto, especially regarding the submission of compulsory bid documents.

The new regulations necessitated a review of SCM policies of the provincial Departments, Public Entities and Municipalities. Provincial SCM provided support to all organs of state and reviewed over 65 SCM policies to date. The new regulations and policies see a shift away from BEE scorecards to specific goals set for procurement of any value. This will be monitored and reported on during this financial year by departments and Provincial Treasury.

Flood relief Procurement – Pre-award assessments

As indicated earlier, Provincial Treasury was mandated to undertake pre-award assessments of flood relief procurement with a value in excess of R1 million as means to mitigate the occurrence of irregular expenditure in the SCM processes. These assessments were required to be undertaken in a short period of time given the urgency of the much needed procurement for communities affected by the April 2022 floods. Provincial SCM has undertaken 90 pre-award assessments to the value of R1 184 861 512 (**one billion 184 million 861 thousand and 512 Rand**) to date.

Departments were required to report on the expenditure relating to the floods and, as at the 24th of February 2023, orders to the value of R1 531 599 616 (**one billion 531 million 599 thousand and 616 Rand**) were issued and invoices to the value of R312 million have been paid. The breakdown of the April flood disaster response awards is as follows:

Targeted Group	Total “Disaster” Procurement Spend R
Black People	1 336 851 259
Black Women	530 498 187
Military Veterans	22 453 853
Youth	546 738 798
People with Disabilities	3 393 950

SCM Compliance

In order to support the improvement of financial governance across provincial organs of the state and to reduce the number of SCM related audit findings: the following key initiatives were undertaken.

- 18 SCM training sessions were held on topics such as local content, Bid committees and general SCM compliance.

- 2 training sessions on the Contract Management Framework were held, given its direct link to irregular expenditure.
- 6 SCM Forums were held as learning and sharing platform on SCM related issues.
- 7 Central Supplier Database (CSD) training sessions were held with officials and suppliers.
- A held desk was provided at all community engagements to further support suppliers in accessing government opportunities.

The matter relating to employees of the state doing business with government has been raised in the A-G's audit reports on provincial institutions. Provincial SCM produced reports on employees of the state registered on the CSD and shared these with both the Accounting Officers and provincial organs of state who were advised on the potential conflict and requested to assess and implement remedial action where necessary. Provincial SCM, on a monthly basis, further monitors the uploading of employee information onto the CSD by all Municipalities in the Province as employees of the state may not undertake business with the state.

Provincial spend on Operation Vula commodities

Prior to the revised procurement policies, Departments were required to procure specifically identified commodities from targeted groups. In this respect, Provincial Treasury provided guidance to Departments in developing their specifications and monitored the awards made in this regard. The Provincial Internal Audit unit also reviewed the level of compliance by Departments given the commitments made to support targeted groups. The report as at 31st of December 2022 indicated that R3.2 billion was spent on Operation Vula commodities, with 38.5% being awarded to women-owned companies, 10.5% to youth, 0,33% to Disabled People and 0,22% to Military Veterans.

Provincial procurement spending on targeted groups

Given the significant value of procurement spending in the Province, estimated around R29.2 billion, the Province must ensure that opportunities are provided to the targeted priority groups to participate in the contracts awarded by the provincial Departments and other organs of state. Therefore, over and above the Operation Vula commodities, Provincial Treasury measures the extent to which Departments spend on the priority groups throughout the year and consistently advises Departments on how they can achieve and exceed the targets set. In this regard, Madam Speaker we are excited to report that by the 28th of February 2023, a total of R29.2 billion estimated has been spent on targeted priority groups. Of this amount, 36% was awarded to black-owned companies, 14% to women, 9% to youth, 0.25% to Disabled People and 0.68% to Military Veterans.

Accounting Services

Operation Clean Audit

The Department continued to play a significant role in the audit readiness support project to enhance financial management of Departments and Public Entities. The continued implementation of the Province-wide operation clean audit plan has resulted in an overall improvement in the provincial PFMA audit outcomes with an increase in the number of Departments achieving clean audits and a reduction in the number of qualified audit opinions. Eight Departments received clean audits, compared to 5 clean audits in the previous year. Five Departments received unqualified audit opinions and 2 Departments received qualified audit opinions compared to 3 qualified in the previous year. Twelve Public Entities achieved clean audits while 5 achieved unqualified audit opinions. Eleven Public Entities sustained their clean audit, while one entity regressed from a clean audit to an unqualified audit and the audit outcome of one entity improved from an unqualified audit to a clean audit with the overall result remaining the same for Public Entities. Financial management support was provided to Departments and Public Entities to enhance their financial accounting and asset management reporting. Financial management support included the following initiatives:

- Review of interim and annual financial statements for selected Public Entities;
- Deployment of officials to Departments to assist with asset management and the interim and annual financial statements preparation process;
- Provision of technical guidance and support during the audit process to Departments and Public Entities; and
- Provision of financial management training to strengthen capacity of officials.

Condonation of irregular expenditure

The condonation of irregular expenditure project resulted in Provincial Treasury receiving condonation requests to the value of R18.5 billion from Departments and R267.4 million from Public Entities as at 31st of March 2023. Provincial Treasury has condoned R6.9 billion of the irregular expenditure of Departments and R82.8 million of the Public Entities. Detailed feedback is provided to respective applicants and sessions which are held with Accounting Officers and training is offered to relevant personnel.

Pay-On-Time

Our “Operation Pay-On-Time” programme has a team which ensures that support is given to SMMEs, in particular, with resolving payment disputes with organs of state and the service providers. This operation has resulted in the resolution of payment queries of 98 suppliers, totalling R42 755 926 in 2022/23.

There was an average of 93.4% compliance in the number of invoices paid by Departments within 30 days as required by the PFMA, compared to 94.2% in the prior year with the decline being attributable to the spending pressures of the Social Sector Departments not having the cash available to process valid payments timeously. This has also resulted in the value of accruals increasing substantially at year-end and must receive the necessary attention by Accounting Officers.

Operation Pay On Time enhancement and financial skills development

As part of enhancing operation pay on time, Provincial Treasury is an accredited SAICA Training Office that provides a three-year training programme. It also accepts graduates that were recipients of the Thuthuka Education Upliftment Fund who, upon completion, will be eligible for registration as Chartered Accountants (CAs). The programme was initiated to address the scarcity of black CAs in the Province and also improve the financial management talent pool available in the public sector.

After successful completion of the training contract, participants are then offered entry into the Management Development Programme which runs for a further 5 years. In the previous financial year, there were 2 trainees that qualified as CAs. Provincial Treasury was the first training institution in the country to implement the new CA 2025 Electronic Assessment Tool.

Provincial Internal Audit Services

The Provincial Internal Audit Services responded promptly to the request by the Provincial Executive Council to conduct flood disaster audits. Treasury conducted reviews in consultation with the Auditor General, on the disaster management control environment across all provincial Departments; audits on value for money were undertaken, as well as physical verification of temporary residential accommodation provided to the flood victims. Furthermore, this work included price comparison assessments, audits on donations received by the Province and a review of the Provincial Disaster Management Centre.

Municipal Finance Management

The quarterly report in terms of Section 71(7) of the MFMA as part of the In-year monitoring (IYM) process has been enhanced by Provincial Treasury and is used as an early warning system to identify and assist Municipalities facing financial problems, including any emerging or impending financial problems. Municipalities identified as experiencing financial problems are closely monitored and the findings from the IYM process are communicated to the affected Municipalities which they are required to present to their municipal Councils.

Madam Speaker, we have observed a decline in the financial management of some municipalities, and an outright neglect of the stipulated financial regulations, hence we are working with Cogta to address this challenge.

Provincial Treasury has intensified the support to Municipalities during the 2022/23 budget preparation process in order to assist Municipalities to approve funded budgets. A circular was issued to all delegated Municipalities providing guidance on the 2022/23 budget preparation process informing the Municipalities of the key areas to ensure compliance and the relevant information required to enable the effective assessment of the budgets.

Of the 51 delegated Municipalities' tabled budgets assessed, Provincial Treasury determined that 34 tabled budgets were funded and 17 were unfunded based on the mSCOA data strings uploaded to the GoMuni Upload portal. Bilateral engagements were conducted with all 51 delegated Municipalities between 22 April and 19 May 2022 during which Provincial Treasury presented the findings from the assessment of the 2022/23 tabled budgets. The support provided by Provincial Treasury resulted in only 8 Municipalities namely, Ulundi, Uthukela, Umzinyathi, uMkhanyakude, Mooi Mpofana, Abaqulusi and eNdumeni approving unfunded budgets for 2022/23, which is an improvement from the 17 unfunded budgets in the previous year. As a result, these 8 Municipalities were supported by Provincial Treasury to ensure that the Municipalities table and approve credible budget funding plans which are then monitored to ensure compliance thereto.

At a macro level, Provincial Treasury provides capacity building to all KZN Municipalities by conducting quarterly CFO Forums and training seminars with the aim of strengthening the financial management capability in local government. Five CFO Forums and training seminars were conducted in 2022/23.

Interventions in Municipalities

Honourable Members, when we presented the Provincial Budget, we pointed out that the allocation of resources to the provincial departments was aimed at accelerating service delivery. It is the ordinary people of this province who must enjoy the fruits of democracy.

On municipal billing and revenue collection, in all municipalities customer data integrity is central to accurate billing. Section 154 of the constitution makes it an obligation for us to provide this support, it is therefore against this background that as the Provincial Treasury we will support municipalities to clean their data so as to ensure accurate billing and collections amongst other initiatives.

As at the 31st of March 2023 National Treasury in line with our Provincial Budget speech has issued Circular 124 which in the main deals with the Eskom Debt, it also deals with the relief package and the timelines. We implore municipalities to engage with this process in order to address this debt.

As Provincial Treasury we will provide assistance in this regard by setting aside financial resources and deploying expertise. The focus will be on doing debt book analysis and categorisation in order to create a billing list of customers who are capable to pay and exempting those who are indigent.

As we present this Budget Policy Statement, we wish to commit that we will double our efforts to curb fruitless and wasteful expenditure in departments, various municipalities and entities.

The ANC as the governing party has mandated Provincial Treasury to work with the Office of the Premier and the Department of Co-operative Governance and Traditional Affairs to implement a comprehensive turn-around strategy. It has been highlighted by the Auditor General in the latest municipal audits result that audit opinion movements have regressed in more than 10 municipalities. During this term of office, we will intensify the assessment on the status of all 54 municipalities.

Roving teams responsible for the Municipal Support Programme (MSP) will be deployed on a regular basis across all corners of the province. We will work with the Auditor General to enable municipalities to improve their capacity to meet their financial obligations and commitments. This will ensure that they provide services to their communities.

We will also speedily identify the causes of financial problems experienced by the municipalities and implement measures through a financial recovery plan that will place the municipalities in a sound and sustainable financial position. Critically, we want to be proactive than reactive to avoid circumstances where municipalities are sliding into interventions as per Section 139.

Visits to municipalities will therefore be undertaken by the Municipal Finance Unit. Our focus is within the context of duties and functions assigned to Provincial Treasury in the Municipal Finance Management Act (MFMA).

We will monitor budgets of municipalities to establish whether they promote sound fiscal management. We will also monitor the implementation of municipal budgets, which includes expenditure, revenue collections and borrowing. This is an area that needs to be given more attention if government wishes to ensure service delivery to ordinary people. This is where the real differences are made to the everyday lives of the citizens of this Province.

3. SERVICE DELIVERY COMMITMENTS FOR 2023/24 PER PROGRAMME

Madam Speaker, allow me to now deal specifically with Provincial Treasury's commitments for 2023/24 in terms of our 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.

We are pleased to announce that our preliminary year end results indicate that we have spent 99% of our budget following reallocated funding, suspending funds into the new year and surrendering funds to contribute towards the provincial reprioritisation exercise to lower the provincial fiscal risk. Whilst this is an improvement from last year's spending of 90.6%, there is still more work to be done and in this regard we aim to undertake zero-based budgeting for this Vote for the 2024/25 budget cycle.

The baseline of the department has decreased by R5.199 million, from R684.109 million in 2022/23 to R678.910 million in 2023/24 relating mainly to the budget cuts and the net effect of the once-off budget suspensions of R15.931 million (allocated back in 2022/23) and R14.600 million (allocated back in 2023/24).

3.1. Revenue

The Departmental receipts increased from R295.886 million in 2022/23 to R302.932 million in 2023/24 reflecting a 2.4% increase. The bulk of Provincial Treasury's revenue is the interest earned from the cash held in the provincial bank accounts. To maximise interest earned, withdrawals from this account are linked to the provincial cash flow requirements of Departments which is closely monitored. The increase in revenue is due to the increase in the interest rates announced by the South African Reserve Bank.

Madam Speaker, with the shrinking fiscus, there is a need to identify alternative revenue streams to ensure that additional revenue is collected, including the review of the existing service rates and taxes in the Province in order to enhance the resources available for a variety of important initiatives, including investment in infrastructure. In this regard, we submitted the KZN Gaming and Betting Tax Bill to the Provincial Legislature, which has solicited a significant response from all stakeholders within the value chain of the sector and has resulted in a need to further review the Bill and ensure that we consider the socio and economic impact of the provision of the Bill and, most importantly, that we achieve equity and transformation in the sector.

In addition, Provincial Treasury intends to work together with the Department of Transport in understanding whether the revenue from motor vehicle licences is being optimally collected. In this regard, an analysis will be done on the number of unlicensed vehicles in the Province with the intention to collect revenue where it is due. High-level statistics with respect to the unlicensed vehicle population have already been studied and work in this regard will commence early in the new financial year.

3.2. EXPENDITURE PER PROGRAMME

Honorable Speaker, the table below indicates the allocation of the budget for 2023/24 financial year. In the main the overall budget amounts to a total of R678 910 million. This budget is showing

the varying (increase and/or decrease) percentage in allocation per line function due to a shrinking fiscus.

2023/24 - KZN TREASURY PROGRAMMES ALLOCATION				
No.	Programme	Line Function	Budgeted Amount	Percentage
1.	Programme 1	Administration	R214.137 million	5% decrease
2.	Programme 2	Sustainable Resource Management	R61.875 million	16% increase
3.	Programme 3	Financial Governance	R221.695 million	9% increase
4.	Programme 4	Internal Audit	R108.355 million	7% decrease
5.	Programme 5	Municipal Financial Management	R72.848 million	4% decrease

3.2.1. PROGRAMME 1: ADMINISTRATION BUDGET OF R214.137 MILLION

The programme sees a decrease of 5% in the allocation. The decrease is mainly attributable to the reallocation of the Special Projects budget from the HOD's Office to Programme 3: Financial Governance to assist with the spending pressures for computer services under transversal systems.

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

ICT Digital Transformation Strategy

The department will continue with the automation of business processes with a particular focus on integrating various ICT systems with provincial systems to ensure standardization. Another 5 processes will be automated to enhance service delivery. Plans are underway to migrate to cloud services to limit the inaccessibility to critical data during load shedding.

Gender-based violence and femicide initiatives

The scourge of violence against women and children persists, demanding that we heighten our responses against it. A number of projects have been planned which includes community outreach programmes aimed at empowering affected community members with knowledge and skills on entrepreneurship, knowing their rights, as well as offering counseling services. In addition, a total of 4 initiatives have been planned for internal staff members. Therefore, part of this programme's allocation will be utilized for these initiatives.

Energy savings solutions

In responding to a call to deal with the energy crisis in the country, this department will identify and implement energy-saving solutions in the buildings it occupies, as well as the new offices which should be occupied during the year.

3.2.2. PROGRAMME 2: SUSTAINABLE RESOURCE MANAGEMENT BUDGET OF R61.875 MILLION

The programme sees an increase of 16% in the allocation relating to the once-off reallocation of R10 million that was suspended during the 2022/23 financial year to assist with the Job massification initiative.

With regard to the Public Finance unit, a fair amount of the work done is governed by the PFMA, with this legislation also prescribing the timing of certain budgeting and reporting processes. For example, the PFMA determines that a provincial budget must be tabled annually within two weeks of the national budget having been tabled. Similarly, an Adjustments Budget must be tabled within 30 days of the national Adjustments Budget having been tabled. Also, the PFMA determines that In-year Monitoring reports must be submitted by departments monthly by the 15th and these must be consolidated and submitted to National Treasury by the 22nd of each month. This work is set to continue and the inputs for these processes will continue to be sourced from the respective Departments and, where required, from the respective Public Entities. It is important for this House to note that Provincial Treasury does not prepare any of the budget documents, as well as the monthly and quarterly expenditure reports, without sourcing the inputs for these from the Departments and Public Entities as the Departments and Entities are best placed to indicate what their budget priorities are, as well as to explain where the budget pressures emanate from. There is a close working relationship between Provincial Treasury and the Departments and Public Entities, and this close relationship will continue to be fostered. We will enhance our engagements with Accounting Officers and Executing Authorities to strengthen their oversight capabilities.

The budget for the 2023/24 MTEF was tabled in this House on 10 March 2023 and the 2023/24 Adjustments Budget will be tabled in November 2023. It is pleasing to note that the budget documentation produced by this Province is one of the highest quality budget documents produced in the country. The Estimates of Provincial Revenue and Expenditure provide a large amount of detail so that Members of this House, as well as the general public, can see what the budget of each Vote will buy. This helps to increase transparency and accountability.

Quarterly budget performance reports will be prepared, with the 2022/23 Close-out Report and the Mid-year Budget Performance Report (for Departments and Public Entities) to be presented to the Finance Portfolio Committee to assist in their oversight role. Budget performance reports are also submitted to the Provincial Executive Council at frequent intervals throughout the year to allow speedy reaction where concerning spending trends appear.

With respect to gender-based budgeting and zero-based budgeting, Provincial Treasury will engage with National Treasury as work has started at a national level in this regard in order to roll out these budgeting reforms in the national, provincial and local sphere. National Treasury indicated that they had started the process of zero-based budgeting in three

national Departments in a pilot phase and that lessons learned from this would be shared with Provinces. Once received, it is our intention to pilot the approach in three Departments in this province.

As mentioned, one of the key focus areas of this unit is to look at ways that we can enhance our Provincial Own Revenue as any increase in this regard allows us to add funds towards the implementation of provincial priorities. As mentioned, research into possible revenue from the unlicensed vehicle population in the province will be undertaken. Furthermore, a research study will be undertaken to influence or to inform provincial equitable share allocations in the province, specifically with respect to the data sets that are used to update the Education and Health components of the Provincial Equitable Share formula. The province has seen losses in budget allocations due to lower learner numbers and lower demand on district health services, yet the budget pressures in Education and Health say otherwise. We will work with these two Departments to assess the numbers that are submitted to their national Departments which are then used by National Treasury to populate the Provincial Equitable Share formula.

We will continue to provide support to the Public Entities as they enter the final phase of the rationalisation of public entities process. In this regard, most of the affected Public Entities have developed enabling legislation for the amalgamated entities and these are set to follow the legislative processes in this year. Work is also at an advanced stage to determine the initial set-up costs of the amalgamated entities with work also having commenced to determine cost savings that will be achieved over the long term. The Public Entities have not yet included an amalgamated budget in the 2023/24 budget process, but this should be ready for inclusion in the 2024/25 budget. Support will also be given to Public Entities in various administrative functions, such as the provision of a guarantee for Ithala Soc Ltd, as well as the work undertaken with respect to the KZN Gaming and Betting Tax Bill where Provincial Treasury was actively engaged in the public participation process.

With respect to the support we provide relating to Public Private Partnerships (PPPs), the Department of Public Works indicated that the government precinct project will move forward and are currently exploring whether internal or external procurement methods will be selected with both the PPP and Infrastructure units providing the requisite support. The Department of Public Works also indicated that it intends on embarking on a PPP for the renovations and upgrade of the Esplanade Government Building. The PPP unit will provide the necessary support for this project. Support will also be provided with regards to the finalisation of the Inkosi Albert Luthuli Central Hospital PPP project being awarded by the Department of Health. A number of municipal projects are also provided with technical support, and these relate to water, transport and energy solutions.

3.2.3. PROGRAMME 3: FINANCIAL GOVERNANCE BUDGET OF R221.695 MILLION

The programmes sees an increase of 9% in the allocation related to funding moved from the other programmes to address the insufficient baseline for transversal computer services and transversal bank charges.

Supply Chain Management

Provincial SCM will, in the next financial year, focus on the following key areas:

- Provision of support on contract management with particular focus on expired contracts. The unit will also partner with National Treasury to ensure that provincial organs of state upload all their contracts onto the e-Tenders contract management tool as this will assist with improving contract management in the province.
- Provision of technical SCM policy support to all Departments, Public Entities and Municipalities.
- Capacity building in various government institutions in the following key areas:
 - i. Contract management
 - ii. General SCM prescripts
 - iii. Bid Committees
 - iv. Basic SCM internal controls

Provincial SCM will continue to provide effective Provincial and Municipal Bid Appeals Tribunals. These tribunals are Quasi-judicial structures established to hear and dispense with appeals against the award of bids by all Provincial Departments and Municipalities within KZN. These tribunals were established in response to the high number of court challenges against the award of bids; the high costs of defending litigation; and the direct impact this had on service delivery due to the excessive delays experienced.

Public Procurement Bill

Provincial Treasury has noted that the current Preferential Procurement Regulations could potentially hamper a number of initiatives undertaken by provincial Departments (e.g. removal of prerequisite BEE levels) and, therefore, once the Public Procurement Bill is issued for comments, extensive engagements will be held with all relevant stakeholders in order to make a substantive input on the draft Bill and thereby materially inform the procurement policies of the country.

Accounting Services

Despite the positive audit outcomes, there will be continued focus on the provincial audit improvement plan to sustain and improve the current status through ensuring enhanced financial management by Departments and Public Entities and staff development by providing specialist financial and asset management support to Departments and Public Entities to enhance financial management skills and capabilities and ensure audit readiness.

Requests for condonation of irregular expenditure will continue to be assessed, where Provincial Treasury is the relevant authority, considering the change in the definition of relevant authority as indicated in the Compliance and Reporting Framework issued with National Treasury Instruction Note No. 4 of 2022/23 with effect from 3 January 2023. The revised instruction note introduces significant changes to the reporting on Irregular, Unauthorised and Fruitless and Wasteful Expenditure in the annual financial statements and annual report. Training has been provided by National Treasury to Departments and Public Entities in this regard and Provincial Treasury will continue to provide guidance to ensure 100% compliance thereto.

In addition to the above, Provincial Treasury will continue to perform the following activities:

- Assist Departments with the reconciliation of Inter-Departmental Accounts.
- Preparation of annual financial statements of the Provincial Revenue Fund and consolidation of annual financial statements of Departments and Public Entities. The 13th consecutive clean audit of the Provincial Revenue Fund bears testimony to our commitment and adherence to sound financial management prescripts.
- Oversee the SAICA three-year Trainee Accountant programme, to ensure the continued accreditation of Provincial Treasury as a training office. The SAICA Trainee Accountant Programme is changing the lives of youth in the Public Sector while increasing our Province's financial management capabilities. The programme is contributing to the future of government in the creation of a capable and ethical state. Since its inception, the Trainee Accountant Programme has benefited 22 trainees from KwaZulu-Natal and produced 12 CAs to date. These successful trainees have subsequently been placed within various directorates under the Management Development Programme.

Supporting and Interlinked Financial Systems remains committed to provide optimal systems protection against unauthorized access, through the use of the Biometric Access Control System to both BAS and PERSAL transversal systems, thus mitigating any financial loss to the province. Since implementation of the system, there has been no loss suffered (due to unauthorised access) by the state as a result of this technology. KZN is currently the only province to have such a system in place. The department is now at the final stages of reviewing the current Biometric Access Control System architecture with SITA considering the evolving affordable technologies such as the emergence of cloud technology.

3.2.4. PROGRAMME 4: INTERNAL AUDIT BUDGET OF R108.355 MILLION

The programmes sees a decrease of 7% in the allocation related to reprioritization of funds to Programme 3 to address the baseline for the transversal computer services and transversal bank charges, as well as compulsory budget cuts across all programmes.

The Provincial Internal Audit Unit, under the direction and guidance of the Provincial Audit and Risk Committee, will continue to provide advice and recommendations to Departments on their areas of risk management, internal control and governance. Internal Audits will focus on SCM, especially relating to the implementation of the new Preferential Procurement Regulations. The unit will continue to roll out value for money performance audits on the use of consultants, as well on infrastructure projects being implemented in the Province. Continued support will be provided on the Audit Improvement Strategy and other financial management processes based on the latest audit outcomes. IT audits will focus on emerging risk areas, including follow-up reviews on previous matters raised with Departments. The unit has identified various other audit focus areas based on the risk profiles of each Department, which will be implemented during the financial year, and these include compliance assessments in respect of the prioritisation of participation of vulnerable groups in planning and implementing service delivery programmes.

In a drive to enhance accountability, reviews will be conducted on the implementation of the Provincial Consequence Management Framework by the Departments. The Audit and Risk Committee will also enhance its oversight role, with improved engagements with MECs and the Provincial Executive Council through quarterly reporting, to ensure that prompt action can be taken to assist Accounting Officers to deal with audit matters swiftly.

The new internal audit structure will be implemented in 2023/24 to enhance the capacity of the unit and to reduce the reliance on consultants. In a drive to capacitate the unit and ensure continued professional development of staff, robust training and development initiatives will be rolled out. The roll-out of automated audit tools will continue to streamline and improve efficiencies in the internal audit processes. The unit will also continue to implement the Internal Audit Learnership programme with an intake of 20 additional learners to supplement the current learners in the unit. This initiative, partnering with the Institute of Internal Auditors (IIASA), assists in developing internal audit skills amongst the youth and ensures the sustainability of the profession.

The Provincial Internal Audit unit, through its Risk and Advisory Services component, provides risk management support to Departments and Municipalities. The work relating to the roll-out of the Provincial Executive Council-approved provincial risk management and combined assurance frameworks will continue during 2023/24, with the focus being on the formal establishment of the provincial risk management committee, development of the provincial risk profile, development of the internal control framework and monitoring of Departments'

compliance with the approved risk management frameworks. The component will also assess Departments' levels of combined assurance to key risks/processes, through the combined assurance mapping tool.

A training plan encompassing e-learning progress is being developed and will be monitored in 2023/24. The E-learning covers risk management principles, roles and responsibilities of various stakeholders, and the risk management process and management thereof. In the ever changing information technology (IT) arena, the component will also develop a database of risks associated with cyber security/crime, systems risks (inclusive of any 4IR developments) and will share this database with Departments and Municipalities.

With respect to Municipalities, the component will continue to assist selected Municipalities with risk assessments and reviews of their internal audit functions.

3.2.5. PROGRAMME 5: MUNICIPAL FINANCIAL MANAGEMENT BUDGET OF R72.848 MILLION

The programmes sees a decrease of 4% in the allocation as a once off allocation included in the 2022/23 baseline of R9.007 million increased the baseline in the prior year. Also influencing the negative growth were compulsory budget cuts and the reprioritization of funds to assist Programme 3, as explained...

The Municipal Finance unit will continue to provide structured and customised support to the delegated Municipalities to assist them in strengthening their financial management capability to meet the MTSF priority of building a capable, ethical and developmental state.

An effective and well-resourced local government is critical for service delivery at a grass root level. Despite the positive shift in audit outcomes, we are well aware of the increasing number of Municipalities that are facing governance and serious financial challenges, and Provincial Treasury must play a critical role in providing support and interventions to address this. We share these responsibilities with the Department of Co-operative Governance and Traditional Affairs and have finalised the Memorandum of Agreement that will formalise the co-ordination of our collective efforts at a municipal level.

In this regard, all 51 delegated Municipalities will be supported throughout the budget preparation process to assist Municipalities to approve credible and funded 2023/24 budgets and to develop credible budget funding plans where required. Provincial Treasury will assess the 2023/24 tabled budgets and provide recommendations to the Municipalities that will assist in approving credible and funded budgets for 2023/24. Provincial Treasury will engage with the delegated Municipalities to provide feedback on the assessment of the Section 72 mid-year budget and performance assessment reports to influence the adjustments budget. Municipalities will further be closely monitored through the IYM process to ensure that Municipalities experiencing financial problems are timeously identified and suitable support provided.

Municipalities are prioritised to receive support from the Municipal Accounting and Reporting, Municipal Support Programme, as well as the Municipal Revenue and Debt Management sub-programmes. The selection of these Municipalities are based on the available human and financial resources within the unit, as well as the issues identified from the audit and management reports. Although progress has been made in filling key vacancies, the increasing need for support from Municipalities restricts the number of Municipalities that can be supported.

Financial Statement Reviews will be conducted at 7 Municipalities. This is a short term initiative to assist specific Municipalities with technical guidance on the preparation of the annual financial statements and supporting documents in compliance with GRAP and MFMA requirements. The reviews are aimed at improving the quality of the annual financial statements prior to submission to the Auditor General. Support during the audit process will also be provided.

Financial management support will be provided to 6 Municipalities. These are long term projects to assist the identified Municipalities with the implementation of key principles of financial management in order to improve the processes, procedures and controls required to prepare GRAP and MFMA compliant annual financial statement and supporting documentation. A hybrid approach will be applied wherein 3 of the 6 planned financial management support projects will be implemented by internal support specialists and only 3 projects will be implemented by external service providers.

The Municipal Support Programme will be providing specialized projects that are aimed to assist and provide technical support to identified Municipalities so as to promote sound financial management and sustainability which is aimed at improving the financial management capability of the identified Municipalities. Specialised projects will include targeted mSCOA support to assist 9 Municipalities with improvements in the processes and procedures for the submission of credible data.

The Municipal Revenue and Debt Management projects aim to improve financial management capability by providing recommendations based on the assessment of the identified Municipalities' revenue and debt management policies, processes, procedures and controls. The unit further assists Municipalities with the implementation of the cost reflective tariff setting tool, the valuation roll to billing system reconciliation tool, as well as provision of assistance with cash and grant management.

Quarterly CFO forums and training workshops will be conducted in conjunction with key stakeholders including SAICA, the Accounting Standards Board, National Treasury and SARS to engage Municipalities on prevailing issues. Circulars will also be issued to provide necessary guidance on the implementation of the MFMA and applicable legislation.

4. CONCLUSION

Madam Speaker and Honourable Members, with the total budget of R678.910 million, the Provincial Treasury will ensure that ***we are leaving no one behind*** in our journey towards good governance and financial prudence. These funds will be used to roll-out a variety of support and oversight programmes, as articulated in this address.

Honourable Speaker, the overarching principle under which this budget is built upon, is our quest for Economic Reconstruction and Recovery, the total emancipation of our people from bondages of poverty, unemployment and inequality as well as the 'Gender Sensitive and Responsive budgeting. This is aimed at eradicating systemic patriarchy and persistent economic challenges facing our women. Indeed, ***we will leave no one behind***.

As I conclude Honourable Speaker, let me extend my humble gratitude to the Chairperson of the Finance Portfolio Committee and the entire committee; the Chairperson of SCOPA and the entire Committee.

Let me also express my heartfelt appreciation to the Honourable Premier Nomusa Dube-Ncube, members of the Provincial Executive Council and the entire members of the Legislature.

My warmest appreciation goes to my political family, the African National Congress and the entire leadership for the support, guidance and the continuous trust in me.

Allow me Honourable Speaker to also thank the Provincial Treasury team led by the HOD Ms Carol Coetzee for their commitment and dedication to this department.

I am forever grateful for the love and support that I always receive from my family.

Honourable Speaker, I therefore, present the Vote 6: Provincial Treasury budget for 2023/24 for consideration by this House.

I thank you.

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