



KWAZULU-NATAL
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

VOTE 6 DEPARTMENTAL PERFORMANCE REPORT Q1



**MR FRANCOIS RODGERS
MEC FOR FINANCE**

PROVINCE OF KWAZULU-NATAL

**Address by
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VOTE 6 DEPARTMENTAL PERFORMANCE REPORT Q1 25 SEPTEMBER 2025

Honourable Speaker, Ms. Nontembeko Boyce;

Honourable Deputy Speaker, Ms. Mmabatho Tembe;

Honourable Premier, Mr. Thami Ntuli;

Members of the KwaZulu-Natal Provincial Executive Council;

Honourable Members of the Provincial Legislature;

Acting Director General, Dr. Nkosenye Zulu;

Head of Department, Ms. Carol Coetzee;

All Heads of Departments and Senior Management:

It is an honour to stand before you all today to represent our KZN Treasury team which has recently secured the 17th consecutive clean audit outcome. This team has consistently demonstrated excellence in financial management and unwavering commitment to ethical governance.

The Auditor-General's report on the department has confirmed full compliance with policies and legislation, with the department's financial statements accurately presented and devoid of irregularities or unauthorised expenditure. This is a positive contribution to our quest of building a capable and ethical state.

Today I will be presenting the Quarter 1 Performance Report for Vote 6 [Provincial Treasury], in accordance with the Legislature's Standing Rule 113.

This presentation reflects KZN Treasury's commitment to financial sustainability, clean governance, and enhanced service delivery for the citizens of KwaZulu-Natal.

I will discuss significant achievements in performance indicators, outline the challenges we have faced in our journey, as well as provide deeper insights into the financial performance of the department in the first quarter of the 2025/26 financial year.

Madam Speaker, you will note the high rates of targets accomplishment across various programs, the establishment of the provincial financial recovery plan, and progress reports on financial challenges facing municipalities.

You will be pleased to note the reduction of municipalities with unfunded budgets. We should all be proud of this as it demonstrates the implementation of proactive measures and financial strategies that are crucial for effective governance and service provision.

Furthermore, I will give an update with regard to ongoing efforts in improving service delivery while addressing financial sustainability concerns and highlight the importance of collaborative governance across all spheres.

Performance Against Annual Performance Plans

During the first quarter of the 2025/26 financial year, the Provincial Treasury set out 22 planned performance indicators. I am pleased to report that 20 of these targets were fully achieved, resulting in an overall achievement rate of 91%. Only 2 indicators were not fully met, and corrective measures are already underway to address these gaps.

Let me highlight our performance by programme:

- **Programme 1: Administration** achieved 50% of its targets, with 1 out of 2 indicators met. The non-achievement related in delays in processing one supplier invoice which has since been addressed through improved internal controls. What is pleasing to note was the overachievement of the procurement spend where our target of 80% of awards to target preferential groups was exceeded by 11% resulting in 91% of awards being made to targeted groups. This reflects on the department's commitment to

transformation and providing opportunity for participation in government business.

- **Programme 2: Sustainable Resource Management** achieved 100% of its 6 planned indicators, demonstrating our commitment to robust economic analysis, public finance, and effective public-private partnerships. The key deliverables of this programme arose from the tabling of the budget, and preparation for the revised tabling. Substantive reports are required to be produced and tabled in the house and this process was seamless with high end quality reports being prepared which inform the development of departments plans moving forward. Early warning reports are produced monthly and submitted to National Treasury. It is important to raise the required red flags at the right time and this is done firstly with the Heads of Departments as Accounting Officers, and then to the Executive through quarterly reports (bearing in mind that MECs are receiving monthly In Year Monitoring Reports from their HODs). The team have prepared unaudited year end reports which were presented to the Executive to ensure a full understanding of the year end position and how that can impact on the 2025/26 financial year given the extent of accruals at year end. Accruals must be understood to be a “first charge” in that it must be the first item that is paid in the new year before any new commitments made to avoid over commitment by departments.
- **Programme 3: Financial Governance** achieved 86% of its targets, with 6 out of 7 indicators met. The only indicator not met related to the response time taken to resolve issues and these relate to the transversal system, Basic Accounting System (BAS). Members would be aware of the challenges that were faced by all provinces in the month of April and May where the National Treasury updated the accounting system from version 5 to version 6. Whilst we made every attempt to support provincial departments, we were completely reliant on the turnaround from National Treasury. We are pleased to report that all issues have now been resolved and the system is functioning effectively once again. I must state that programs 3 is particularly busy during this quarter as departments and public entities prepare for their financial

statements and support is given to the departments in this regard including their engagements with the Auditor General.

- The interventions as contained within the operation clean audit programme continued during this quarter and included support to departments, entities and municipalities in various aspects of financial management and supply chain management. These support interventions are to proactively address the shortcomings in certain departments and to build sustainable capacity to ensure that these interventions are not required in the future. There was an overachievement in some of these areas as departments and public entities made additional requests for support from Treasury.

- **Programme 4: Internal Audit and Programme 5: Municipal Finance Management** both achieved 100% of their planned indicators, underscoring our dedication to assurance services, risk management, and municipal support.

32 audits were completed against the 24 planned for this quarter which were planned based on the risk assessments undertaken by the departments. The outcomes of these reports are discussed with the accounting officer to agree on the remedial actions that are required to be taken to deal with the inefficiencies in the control environment and to ensure that the matter is resolved before the time of external audit. These issues are also discussed at the Provincial and Cluster Audit and Risk committee as well as at the governance cluster and finally to the executive council on a quarterly basis. This reporting is essential to enhance the oversight which forms part of the combined assurance of government.

This program is also responsible for building risk management capacity within departments and municipalities and has targeted a number of institutions to provide that support. Risk management is critical as it is one of the key lines of defense. If departments implemented effective risk management by identifying the possible risks at the beginning of the year, and implemented the necessary actions to mitigate the risks there would be a significant improvement in service delivery and in the audit outcomes of this province.

I am pleased to announce that Cabinet agreed to centralize the Internal Audit Function in Provincial Treasury given the challenges experienced by the three departments (Health, Education, Transport) who were to establish their own units.

This decision will result in:

- Consistency in Audit Practices and Standards
- Efficient Resource Allocation
- Improved Risk Management
- Cost Savings through Economies of Scale
- Enhanced Oversight and Accountability
- Reduction of Inefficiencies and Duplicated Efforts and therefore cost effective for the province.

Additional funds will have to be allocated to Provincial Treasury for this purpose and this has been approved by the executive.

Municipal Finance

Municipal finance plays a critical role in supporting municipalities but also in coordinating the joint efforts of the various units within provincial treasury and that of the department of Cooperative Governance and Traditional Affairs. The needs of the municipalities far exceed Treasury's ability to service such requests and the prioritization of support is linked to the level of commitment by the municipal staff.

In this regard, the focus is on those municipalities which show a commitment to working with the Treasury and implementing the required recommendations. Municipalities face significant challenges at this point in time and the focus of the team is in terms of audit readiness and the preparation of annual financial statements. The first quarter of the year is the final stage of the review and assessment of municipal budgets and I'm pleased to report that the number of unfunded municipal budgets has reduced from six to five in the current financial year. This is critical as we cannot have municipalities tabling unfunded budgets as it ultimately means that they do not have sufficient funds for the expenditure that they were planning for the year, which will most certainly impact on service delivery.

With regards to the five municipalities with unfunded budgets they are required to prepare a recovery plan which demonstrates how they will, over a specified period, reach a point of having a funded budget. Treasury monitors this and elevates any serious concerns to my office wherein I then engage the relevant mayors to ensure that there is cooperation and support and where Treasury is required for further engagement, we make ourselves available as a partner to all our non-delegated municipalities.

Quarter 1 Financial Performance

Turning to our financial performance, the department's budget for 2025/26 stands at R730.4 million. As of 30 June 2025, year-to-date expenditure was R153.4 million, representing 21.6% of the budget. I am pleased to report that there is no projected underspending for the year.

Across all programmes, spending is closely aligned with planned activities and the achievements I have reported on above.

- **Programme 1: Administration** spent 19.2% of its budget, with projected overspending due to agency and support services (funding for the financial recovery Plan), which will be addressed through the adjustment process
- **Programme 2: Sustainable Resource Management** spent 23.0% of its budget, with projected underspending mainly due to delays in filling vacant posts.
- **Programme 3: Financial Governance** spent 24.2% of its budget, with minor projected overspending on bank administrative fees and staff exit costs.
- **Programme 4: Internal Audit** spent 20.2% of its budget, with projected underspending due to delays in recruitment.
- **Programme 5: Municipal Finance Management** spent 21.7% of its budget, with projected underspending due to vacant posts and savings on travel and operating payments.

As indicated above the department, as all other departments, is in a continuous process of recruiting personnel with the reality of staff turnover taking place creating a leaking bucket. The department has done extremely well in reducing their vacancy rate from 20% to 8,2% primarily with the shift of employing permanent personnel in the internal audit shared services and moving away from reliance on consultants.

The first quarter of the year saw the approval of the Provincial Financial Recovery plan, with the Honourable Premier as the Political Champion of the strategy. The workstreams have been appointed with clear terms of reference, a clear roadmap of interventions and reporting tools in place. I am pleased with the progress that is being made and look forward to reporting on the impact of the work led by provincial treasury in my future reports.

One of the deliverables that I must mention is the completion of the dashboard which has been presented to the GSCID cluster, Audit and Risk Committee and the Finance Portfolio committee. This is a tool that officials, executives, and oversight structures can utilize to provide an initial indication of the financial wellbeing of departments. Should a red flag appear, the responsible officials should then take the required actions and the relevant oversight structure should monitor and ensure the right action is taken at the right time- just as you would if a red light came on your car's dashboard.

Conclusion

Honourable Members, the Provincial Treasury remains steadfast in its commitment to prudent financial management, transparency, and accountability. We are inspired by the progress made in the first quarter and are determined to build on this momentum for the remainder of the financial year.

I wish to thank the dedicated staff of the Provincial Treasury, our partners in government, and the people of KwaZulu-Natal for their continued support. Together, we are growing KwaZulu-Natal and ensuring financial sustainability for all.

Thank you.