

**KWAZULU-NATAL
PROVINCIAL TREASURY**

**REVISED
ANNUAL PERFORMANCE PLAN FOR
2020/2021**



Executive Authority Statement (MEC)

Despite the economic pitfalls besetting the country for the past few years, KwaZulu-Natal Provincial Treasury remains focused on achieving growth and stability through the implementation of various strategic programmes that will help drive economic growth for its people.

Through the elections held in May 2019, the people of SA provided the Government with a clear mandate for growth and renewal. Therefore in pursuance of the National Development Plan (NDP), the 2019 manifesto of the 6th Government Administration has focused on seven overarching priorities forming critical pillars towards the attainment of a non-racial, non-sexist, democratic and prosperous society. The seven overarching priorities are economic transformation and job creation; education, skills and health; consolidating the social wage through reliable and quality basic services; spatial integration, human settlements and local Government; social cohesion and safe communities; a capable, ethical and developmental state and a better Africa and World. The President was clear that all Government's programmes and policies across all departments and agencies would be directed in pursuit of these overarching tasks.

In line with the NDP, the KwaZulu-Natal (KZN) Provincial Growth and Development Plan (PGDP) visualises KZN as a prosperous Province with a healthy, secure and skilled population, living in dignity and harmony, acting as a gateway to Africa and the World by 2035. The KZN Provincial Treasury (PT) therefore plays a pivotal role as the guidance of the public purse. The Department is thus tasked with the responsibility of ensuring that both the NDP and PGDP visions are put into practice through the effective and credible distribution of available funds between departments. PT fulfils this responsibility by taking cognisance of the demands for social services and the need to stimulate inclusive economic growth.

While delivering the Monetary Policy Committee press statement, late in May 2019, the Governor of the South African Reserve Bank (SARB), Lesetja Kganyago, indicated that the global economic growth has rebounded. However, the economic outlook for SA remains sluggish and subdued. The assertion by the Governor was evident in the first quarter of 2019, whereby the economy of the country contracted by 3.2%. In KZN the economic performance was much severe at a negative growth of 3.5% over the same period. Clearly this sluggish economic performance has detrimental effects on tax revenue collection by government. One of the reasons for the uninspiring economic performance has been the load shedding early this year and a few times in October 2019, together with the continued uncertainty in the supply of electricity by Eskom, the state-owned power supply utility.

In spite of this, as the Provincial Treasury, an institution historically tasked with being the guardian of the public purse, we are determined to play our part as a contributor to an environment conducive to investments and job creation. As indicated by the Premier, Honorable Sihle Zikalala, at his maiden state of the Province Address (SOPA), consequence management system will be strengthened, to get rid of underperforming, corrupt officials who are intentionally hindering service delivery. To ensure that all procurement delivers value for money, no case of corruption or lack of performance will be left unattended. As directed by the Premier, Provincial Treasury will review financial delegations to limit the amounts of money that officials can approve. Provincial Treasury will also work closely with KZN Cooperative Governance and Traditional Affairs (COGTA) to conduct skills audits in all municipalities in the Province.

Among challenges that cripple SMMEs and hampers the success of the economic transformation programme is the failure of the Government to pay on time. The Government of KZN is consolidating the approach to stop the bad and sometimes corrupt practice. As part of this approach, PT is also implementing an Electronic Invoice Tracking Tools in Provincial Departments to monitor and fast-track payment of pay-on-time suppliers.

More than ever as the Provincial Government, we are committed to continue on our path of fiscal discipline and fiscal consolidation. For the past eight years this province has not deviated from its budget by more than 1% and this will continue. There is no place in our plan of action for fraud and corruption and neither is there room for failure.

The bleak economic picture forces government to continue with the fiscal consolidation programme. Fiscal consolidation implies reducing public spending without impacting negatively on service delivery. It means eliminating inefficiencies in spending by implementing fiscal austerity measures. The Provincial Treasury has

been consistently monitoring the fiscal austerity programme and this has assisted the province to navigate the fiscal turbulence.

Over the years, the department has demonstrated its resolve to be *the* centre of excellence in the management of public finances. Testimony to this fact, KZN Treasury has once again received its 10th consecutive clean audit report, a milestone and a historic moment in the history of public administration.

This achievement is a direct consequence of consistently and efficiently implementing all the elements of good governance, characterised by prudent financial controls.

Unfortunately, however not all public institutions have mastered the art of good governance. This is evident from the persistent negative findings by the Auditor General. The Provincial Treasury has been called upon by the Executive Council to intensify its support to departments, with a view to assisting them to improve their audit outcomes.

The concept of good governance has been measured, studied and defined by numerous agents, international organisations and academics around the world, who have developed an array of theories as well as multiple and diverse standards for outlining what constitutes good governance.

Ultimately, adequate horizontal administrative procedures concerning human resource management and public financial management are crucial for the achievement of good financial outcomes. KZN Treasury is committed to continuously apply the best financial protocols as dictated by the Public Finance Management Act and Treasury Regulations.

Government has formulated strong policies and programmes, as KZN Provincial Treasury, we want to do our best to ensure implementation of all that which is within our mandate and ensure strong consistent monitoring in order to bring about the required growth which will translate into the much expected social relief for our communities.

As the guardian of the public purse, KZN Provincial Treasury, prides itself for having strong and dedicated team of professionals who, while paying attention to detail, work collaboratively and efficiently with other departments, public entities and municipalities to make this province an envy of others in the management of fiscal resources in the country. It is a stubborn adherence to principles of good governance, coordinated performance and relentless efficiency that will see us get another clean audit report in the year ahead.



Mr R.R. Pillay

MEC for Finance (KwaZulu-Natal)

Head of Department Statement

With the unemployment rate hovering at 29%, stubborn poverty levels remaining unacceptably high and inequality gap still wide, work is cut out for Government to bolster its efforts to change this grim picture.

Government has mapped out the National Development Plan (NDP) as a blue print to unravel the triple challenge (poverty, unemployment and inequality) by 2030.

The Sixth Administration shall focus on seven over-arching priorities, viz: Economic Transformation and Job Creation; Education, Skills and Health; Consolidating the Social Wage Through Reliable and Quality Basic Services; Spatial Integration and Human Settlements; Social Cohesion and Safe Communities; A Capable, ethical and Developmental State; and A better Africa and World, on its quest to achieve the NDP objectives.

This is a huge task - but it is accomplishable. Government knows that the challenge is so entrenched in our society such that it shall take more than just a rhetoric to alleviate it. Save for eradication.

President Cyril Ramaphosa has led the government charge, through Operation Thuma Mina, to speed up service delivery. This operation is a direct response to a growing anxiety for speed on the delivery of services as communities grapple with the triple challenge. This calls for dedication and readiness amongst us in the public service to deliver quality services to communities.

President Ramaphosa has relentlessly been knocking on investors' doors (local and foreign) inviting them to invest in this country to boost the South African economy. He is propelled with the foresight and understanding that the growth of our economy depends on a strong partnership between government and the private sector.

There is no question that Government is ready and prepared to play its role. Already, investments are trickling in and government needs to excel in its role and ensure that KwaZulu-Natal has all pre-requisites for investments.

Recently, the President has launched Operation Khawuleza to align development plans at national, provincial and district spheres of government. This system will harmonise development planning and allow national government to monitor progress at all levels.

KZN has already aligned itself to the NDP by its Provincial Growth and Development Plan. Premier Sihle Zikalala has vigorously outlined the provincial position to implement the Radical Economic Transformation, thereby opening up opportunities for Blacks, particularly Africans, in the economy.

The Provincial Treasury understands that it must play its role in ensuring that financial resources expended for government programmes to deliver much-needed services to communities of this province. The department is fully committed to the realisation of the objectives NDP and PGDP.

The Provincial Treasury shall play its legislative role in ensuring that government's finances are managed and disburse prudently.

Government is faced with the widening budget deficit leading to a higher debt-to-GDP (gross domestic product) ratio, which needs to be managed efficiently. Despite the subdued economic challenges facing the country, the Provincial Treasury shall continue to ensure that public funds are spent wisely for the benefit of all the people of KZN.

The 2020/21 Annual Performance Plan (APP), therefore provides the Provincial Treasury with the opportunity to continue to prepare the Medium Term Expenditure Framework (MTEF) budget for citizens of KZN, as well as revenue and expenditure monitoring of provincial departments and public entities while providing oversight in terms of various aspects of the provincial cost-cutting measures. In this regard, this department shall

continue to ensure financial governance, thereby conducting a quarterly risk analysis in respect of the banking and tax functions, per Department.

The Provincial Treasury's cash blocking system shall be intensified to ensure adequate cash management by the departments, as they are not able to disburse payments to suppliers unless they have the funds available in their cashbook.

The Department shall continue to provide hands-on support and undertake comprehensive compliance assessments of departments, municipalities and public entities to help reduce irregular, fruitless and wasteful expenditure on the supply chain management related processes, building administrative capacity, financial management and uninterrupted service delivery.

Government has resolved that consequence management system will be strengthened, to get rid of underperforming, corrupt officials who are internationally hindering service delivery.

To ensure that all procurement delivers value for money, no case of corruption or lack of performance will be left unattended. As directed by the Premier, Provincial Treasury will review financial delegations to limit the amounts of money that officials can approve. Provincial Treasury will also work closely with KZN Cooperative Governance and Traditional Affairs (COGTA) to conduct skills audits in all municipalities in the Province.

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Infrastructure is also a critical area of investment that supports structural transformation, growth and job creation. As announced in the February 2020 State of the Nation Address (SONA), the Government has set aside R100 billion to seed the Infrastructure Fund. The Department will further continue assisting and providing technical support to delegated municipalities, including creating awareness towards the implementation of the Infrastructure Delivery Management System (IDMS), with the primary aim of ensuring compliance with the MFMA and other relevant legislation. We are also making progress regarding the provision of support and assistance to the provincial departments in their planning and implementation of infrastructure programmes, projects initiatives to obtain value for money. This function will continue to be performed through the application of the principles and guidelines of the Infrastructure Delivery Management (IDM).



Mr. L.S. Magagula

Head of Department : KZN Treasury

Official Sign-Off

It is hereby certified that this Annual Performance Plan:-

- Was developed by the management of the KwaZulu-Natal Provincial Treasury under the guidance of MEC Mr R.R. Pillay.
- Was prepared in line with the current Strategic Plan of KwaZulu-Natal Provincial Treasury and takes into account all the relevant policies, legislation and other mandates for which Provincial Treasury is responsible for, and
- Accurately reflects the outcomes and outputs which the Provincial Treasury will endeavour to achieve over the three year period 01 April 2020 to 31 March 2023.

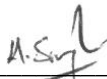
Ms Nelisiwe Shezi

Programme Manager: Sustainable Resource Management (P2)

Signature: 

Ms Amritha Singh

Programme Manager: Financial Governance (P3)

Signature: 


Ms Motlalepula Radebe

Programme Manager: Internal Audit (P4)

Signature: 

Mr Farhad Cassimjee

Programme Manager: Municipal Finance Management (P5)

Signature: 


Mr Thabani Ndlovu

Chief Financial Officer

Signature: 

Ms Kogie Chetty

Head official responsible for Planning

Signature: 

Mr S Moodley

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Mr LS Magagula

Head of Department

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Executive Authority


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PART A: OUR MANDATE

1. Updates to the legislative and policy mandates

The department is governed by relevant legislation and policy mandates. These are listed in detail on the Strategic Planning document which corresponds with the 5 year planning cycle.

The department is governed by the following relevant legislation and policy directives:

- Constitution of the Republic of South Africa of 1996
- Public Finance Management Act (Act No. 1 of 1999, as amended) and its regulations
- Municipal Finance Management Act (Act No. 56 of 2003)
- Promotion of Access to Information Act (Act No. 2 of 2000)
- Annual Division of Revenue Act
- Annual Provincial Appropriation Act
- Broad-Based Black Economic Empowerment Act (Act No. 53 of 2003)
- Preferential Procurement Policy Framework Act (Act No. 5 of 2000)
- Public Audit Act (Act No 25 of 2004)
- Intergovernmental Relations Framework Act (Act No. 13 of 2005)
- Borrowing Powers of Provincial Governments Act (Act No. 48 of 1996)
- Government Immovable Asset Management Act (Act No. 19 of 2007)
- Construction Industry Development Board Act (Act No. 38 of 2000)
- Provincial Tax Regulation Process Act (Act No. 53 of 2001)
- KwaZulu-Natal Direct Charges Act (No. 4 of 2002)

1.1 Constitutional mandates

Sections 213, 215, 216, 217, 218, 219, 226 and 228 of the Constitution of the Republic of South Africa deal with general financial matters for the national and provincial spheres of government. These sections require the national legislation to give effect to the following:

- To establish a national treasury;
- To introduce generally recognised accounting practices;
- To introduce uniform treasury norms and standards;
- To prescribe measures to ensure transparency and expenditure control in all spheres of government; and
- To set the operational procedures for borrowing, guarantees, procurement and oversight over the various national and provincial revenue funds.

1.2 Policy mandates

The following policies outline the key responsibilities for the department.

- PPP policy; this policy provide guidelines for administration and managing Public Private Partnership's transactions in the public sector environment.
- SCM and PPPFA policy; this policy provide guidelines for the administration of a Supply Chain Management in line with broad government objectives. It also aims at promoting emerging enterprises with particular emphasis on black economic empowerment.
- Budgeting process policies; they provide framework within which budgeting process must be managed in the public sector in line with the relevant Acts.
- Treasury Regulations; provide procedural guidelines of implementation of the Public Finance Management Act (Act No. 1 of 1999, as amended by Act No. 29 of 1999).

2. Updates to Institutional Policies and Strategies over the five-year planning period

2.1 Institutional Policies and strategies over the five-year period (2020-2025)

For the 2020 to 2025 year period, the Department will align its strategies to the priorities of the Institutional policies and plans contained hereunder: -

- ***The National Development Plan (NDP)***

Aligned to the NDP, KZN Provincial Treasury (KZNPT) aspires to consistently assist and support provincial departments, public entities and municipalities to build a capable state so as to enhance socio-economic opportunities to eliminate poverty and reduce inequality; support the development of expertise, develop efficient systems and effective processes to reduce inefficiencies and enhance adherence to ethics and compliance with legislation; and build a government that is accountable to its people.

- ***The Medium Term Strategic Framework (MTSF) 2020-2024***

In response to the National Priority Outcomes, Provincial Treasury aims to contribute to:

- *Economic transformation and Job Creation*
- *Capable, Ethical & Developmental State*

To this end, KZNPT must assist and support provincial departments, public entities and municipalities to improve their financial management practices and financial operating systems.

- ***The Provincial Growth and Development Plan (PGDP)2019***

The main purpose of the PGDP is to translate the Provincial Growth & Development Strategies (PGDS) into an implementation plan which will provide a sound platform for departmental, sectoral and stakeholder annual performance planning and therefore to guide resource allocation. *Provincial Treasury contributes to the achievement of Strategic Goal 6: Governance & Policy; Objective 6.2: Build Government Capacity, & Objective 6.3: Eradicate fraud & corruption*

- ***Provincial Priorities 2019 – 2024***

Provincial Treasury contributes to the achievement of the following Provincial priorities.

- ***Job Creation***
- ***Growing the Economy***
- ***Build a caring and incorruptible government***

A comprehensive illustration of the link and alignment of Provincial Treasury's planned strategies to the Institutional Plans and priorities of Government will be included in the Situational Analysis contained in Part B of the Plan.

3. Updates to Relevant Court Rulings

3.1 Relevant court rulings

No.	CASE NAME	YEAR	PRINCIPLE	COURT
1.	Nelson Mandela Bay Municipality v Afrisec Strategic Solutions (Pty) Ltd	2008	<ul style="list-style-type: none"> The Court set aside agreements concluded with the preferred bidder on the ground that they exceeded the scope of the bid invitation and specifications advertised. <u>Principle:</u> its not fair to advertise one set of specs and then agree on another with the preferred bidder. 	Eastern Cape High Court
2.	Metro Projects CC and Another v Klerksdorp Local Municipality and Other	2004	<ul style="list-style-type: none"> Supreme Court of Appeal confirms that tender must be evaluated on the specs advertised. <u>Principle:</u> No supplementation of bids should be allowed after the closing date. 	Supreme Court of Appeals
3.	Rainbow Civils CC v Minister of Transport and Public Works	2013	<ul style="list-style-type: none"> Court set aside award on the basis that the adjudication criteria was vague in the bid document. <u>Principle:</u> The bid spec must be clear and the adjudication criteria must be consistent with the spec to prevent a large discrepancy in scores. 	Western Cape High Court
4.	Actaris South Africa (Pty) Ltd v Sol Plaatjie Municipality	2008	<ul style="list-style-type: none"> Court found that the requirement that, as far possible, the Bid Evaluation Committee (BEC) be comprised of officials from the requesting department was peremptory, or compulsory. This case confirms that in-house experts <u>MUST</u> sit on the BEC. 	Northern Cape High Court
5.	Searle v Road Accident Fund	2014	<ul style="list-style-type: none"> An award is invalid if the validity period of the bid was not extended. <u>Principle:</u> in order to ensure the validity of a bid, the municipality must ensure that the validity period is extended by the successful bidder. This prevents the so-called technical appeal. 	Eastern Cape High Court, Port Elizabeth
6.	Rodpual Construction CC v Ethekwini Municipality	2014	<ul style="list-style-type: none"> BEE Certificates must be provided before the close of the BID. <u>Principle:</u> This must apply to all information that is required to be submitted by close of Bid- a failure makes the process unfair on other bidders. 	KwaZulu-Natal High Court, Durban
7.	KwaDukuza Municipality v Skilful 1169 CC	2017	<ul style="list-style-type: none"> Confirm the approach taken by KZN Provincial Treasury in Regulation 32 Circular. The contract specification being used must be the same and cannot be altered; the contract must still be valid and current; proper bid processes must have been followed. 	KwaZulu-Natal High Court

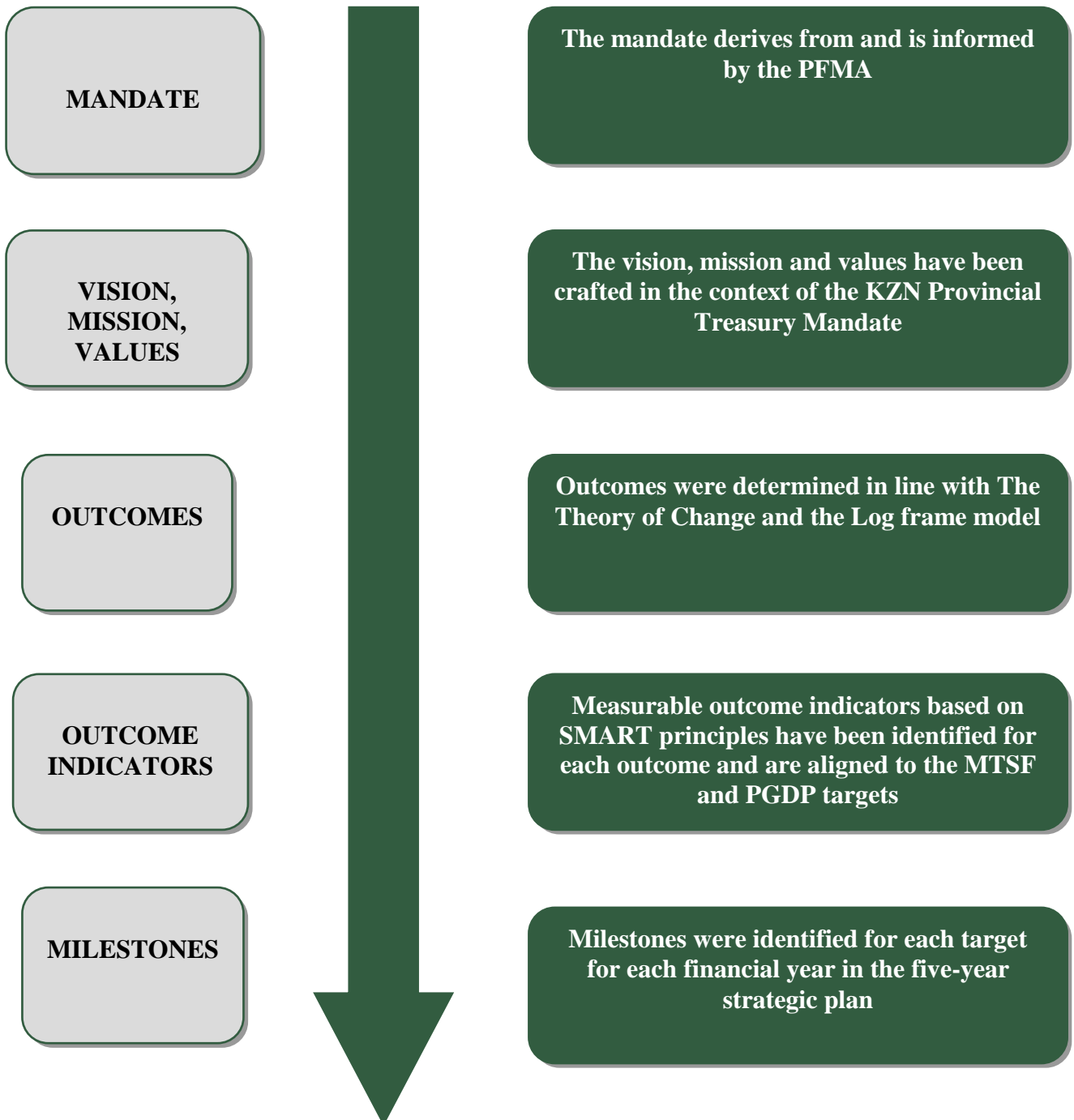
8.	SITA v Gijima Holdings	2016	<ul style="list-style-type: none"> Promotion of Administrative Justice Act 3 of 2000 (PAJA) : applicability to organ of state seeking to set aside its own decision : legality review not available when PAJA applies. 	Supreme Court of Appeal
9.	City of Tshwane v Nambiti Technologies	2015	<ul style="list-style-type: none"> Tender – cancellation thereof – terms of tender authorising its withdrawal – cancellation not administrative action. Cancellation set aside by High Court as unfair and municipality ordered to adjudicate tender. No grounds for holding cancellation unfair – relief granted by High Court impinging on municipality's powers and obligations in regard to procurement. Such impermissible as infringing the doctrine of the separation of powers. 	Supreme Court of Appeal
10.	Tetra Mobile Radio (Pty) Ltd. v Member of the Executive Council of the Department of Works and Others	2007	<ul style="list-style-type: none"> In an appeal, the aggrieved party is entitled to all the documentation that was before the Committee deciding the bid. If confidentiality is raised, then the legal representatives of the aggrieved party is entitled at view these documents. 	Supreme Court of Appeals
11.	Allpay Consolidated Investment Holdings (Pty) Ltd and Others v Chief Executive Officer of the South African Social Security Agency and Others	2014	<ul style="list-style-type: none"> Remedy – unlawful tender – just and equitable remedy – tender set aside – new tender ordered – existing contract to remain in place until final decision on whether to award new tender. 	Constitutional Court

PART B: OUR STRATEGIC FOCUS

1. Situational Analysis

In the development of the strategic plan, the Provincial Treasury ensured that there is alignment with all the key planning processes that had to be followed. The diagram below outlines the roadmap followed to ensure strategic alignment of all processes in consultation with all relevant stakeholders at programme and organizational level.

The strategic design phase of the plan is depicted schematically below:



During the Strategic Planning process, PT conducted a situational analysis using an Integrated and Interactive Planning process consisting of the following steps:

- Problem Identification: internal and external variable analysis
- Systems Description and SWOT/PESTEL analysis
- The problem and solution trees method

The table below outlines the consultative process and engagement with key program officials and stakeholders who participated in the strategic planning:

DATE	STRATEGIC FOCUS AREA	OUTCOMES
04 July 2019	<p>Part A: Our Mandate</p> <ul style="list-style-type: none"> ▪ Constitutional Mandate ▪ Legislative & Policy mandates ▪ Institutional Policies & Strategies over the 5 year planning period ▪ Relevant Court rulings <p>Part B: Our Strategic Focus</p> <ul style="list-style-type: none"> ▪ Vision ▪ Mission ▪ Values 	<ul style="list-style-type: none"> - MEC for Finance and EXCO members - Thorough review of the mandate to identify the strategic focus over the next 5 years - The vision, mission and values of the Department were adopted and current and future strategies linking to the medium and long-term policy environment of Government were unpacked.
08 Aug 2019 - 16 Aug 2019 19 Aug 2019 - 23 Aug 2019	<p>Part B: Our Strategic Focus</p> <ul style="list-style-type: none"> ▪ Situational Analysis ▪ External Environmental Analysis ▪ Internal Environment Analysis 	<ul style="list-style-type: none"> - Mini strategic sessions were held at Program levels. SWOT and PESTEL analysis were undertaken. A full analysis of the current situation (successes & challenges) was undertaken informing the strategic focus for the next five years. - Planning section analyzed Program SWOT to compile Departmental external and internal environment analysis.
02 Sep 2019 – 27 Sep 2019	<p>Part C: Measuring Our Performance</p> <ul style="list-style-type: none"> ▪ Institutional Performance Information <p>Part D: Technical Indicator Descriptions (TID)</p>	<ul style="list-style-type: none"> - Further Strategic working sessions were held with all Programs to align Departmental mandates to Institutional policies and key Government priorities. - SWOT & PESTEL Program information was analyzed to identify strategic risks and develop strategies to mitigate such. Aligning budget allocations performance monitoring, and evaluation in line with: <ul style="list-style-type: none"> - Theory of Change, and - Log frame - As tools for planning, implementation, monitoring and evaluation of programs, a Log frame provides a structure of the impact, outcomes, outputs, activities and inputs as the full results chain and highlights the logical linkages between them. Outcome indicators & baselines were identified.
15 Nov 2019	MANCO Strategic Planning Session	<ul style="list-style-type: none"> - Theory of Change for the Department and the outcome of the Log Frame exercises discussed. - The Impact Statement for KZNPT and all Outcomes as well as Outcome Indicators and Targets adopted. - MEC for Finance and Head of Department concurred with the next 5 year planned strategy for the Department and agreed that the same was well aligned to key Government priorities and that KZNPT were in a position to contribute to the achievement of Government priorities over the 2020-2025 planning period. Departments planned deliverables ensuring synergy between programs and effective control and monitoring of outcomes were developed and streamlined in line with SOPA and KZN Cabinet Resolutions.

The Department's planned outputs derived from its legislative mandate are: -

Goal 1: To promote sound financial management practices and fiscal management to achieve good governance.

Goal 2: To ensure targeted financial resource allocation and promote utilization that contributes to improved service delivery.

Goal 3: To promote sound processes, controls and improved capabilities in Departments, Municipalities and Public Entities in order to reduce unauthorized, irregular, fruitless and wasteful expenditure thereby improving audit outcomes.

Goal 4: To facilitate and monitor infrastructure delivery in the province thereby contributing towards inclusive economic growth.

Aligned to the goals above, the Department's strategic focus over the next 5 year planning period, **in line with key Government priorities** are: -

Planned Strategies	Link to Institutional Policies and Plans
1. Promote good governance by performing Audit and Risk Advisory services at Provincial Departments and Municipalities.	MTSF Priority 1: Capable, Ethical & Developmental State; Outcome: Functional, efficient and integrated government; Intervention: Improve financial management capability in the public sector.
2. Conduct Forensic investigations in Provincial Departments in line with dealing with Fraud and Corruption.	MTSF Priority 1: Capable, Ethical & Developmental State; Outcome: Functional, efficient and integrated government; Intervention: Programme to prevent and fight corruption in government. PGDP Strategic Goal 6: Governance & Policy; Strategic Objective 6.3: Eradicate fraud & corruption; Intervention: Expedite the conclusion of all forensic and disciplinary cases relating to fraud and corruption & ensure effective recovery of monies defrauded.
3. Provide support to Municipalities through financial management support programs.	MTSF Priority 1: Capable, Ethical & Developmental State; Outcome: Functional, efficient and integrated government; Intervention: Improve financial management capability in the public sector. March 2020 SOPA – Make local government work better – The report on state of local government in KZN.
4. Providing audit readiness support to provincial departments, public entities and municipalities with the objective of improving audit outcomes in the Province.	MTSF Priority 1: Capable, Ethical & Developmental State; Outcome: Functional, efficient and integrated government; Intervention: Improve financial management capability in the public sector; and Measures taken to eliminate wasteful; fruitless and irregular expenditure in the public service PGDP Strategic Goal 6: Governance & Policy; Strategic Objective 6.2: Build Government Capacity; Intervention: Operation clean audit March 2020 SOPA: – Enhance audit outcomes in the Province – develop audit improvement strategy.
5. Conduct Supply chain management compliance assessments, Policy and Contract Management support services to provincial departments, municipalities and public entities.	MTSF Priority 1: Capable, Ethical & Developmental State; Outcome: Functional, efficient and integrated government; Intervention: Improve financial management capability in the public sector. MTSF Priority 2: Economic Transformation & Job Creation; Outcome: Increased economic participation, ownership & access to resources & opportunities by women, youth and persons with disabilities; Intervention: Expand government spend on women, youth and PWDs through preferential procurement. March 2020 SOPA – Provincial policy on set-asides for specific commodities ensuring the sustainability of awarded contracts and increase participation of blacks, women and youth in the identified commodities/sectors.

6. Provide infrastructure support to the sector departments through Infrastructure Delivery Management System. (IDMS)	<p>MTSF Priority 2: Economic Transformation & Job Creation; <u>Outcome:</u> Improve the quality and quantum of investment to support growth and job creation; <u>Intervention:</u> Improve the quality & rate of infrastructure investment.</p> <p>PGDP Strategic Goal 6: Governance & Policy; <u>Strategic Objective 6.2:</u> Build Government Capacity; <u>Intervention:</u> Develop alternative funding and partnership models for development, prioritising catalytic projects/infrastructure development.</p> <p>March 2020 SOPA – Establishment of job creation war rooms involving the infrastructure development cluster.</p>
7. Ensure financial viability of the Province.	<p>MTSF Priority 1: Capable, Ethical & Developmental State; <u>Outcome:</u> Functional, efficient and integrated government; <u>Intervention:</u> Improve financial management capability in the public sector.</p> <p>March 2020 SOPA – <i>Make local government work better – The report on state of local government in KZN.</i></p>

2. **External Environment Analysis**

2.1 ***Population dynamics (Social)***

(a) *Analysis*

According to the 2019 mid-year population statistics released by Statistics SA, 19.2 per cent of the South African population called KwaZulu-Natal their home. This translates to approximately 11.3 million people, thus making KwaZulu-Natal the second most populous province in the country. Its share of the national total population, however, has seen a decline from 21.4 per cent to 19.2 per cent over the period 2011 to 2019. In absolute terms, the growth rate in the population of KZN between 2011 and 2019 was 5.2 per cent. Further trends indicate that in 2019 the bulk of the population in KwaZulu-Natal were youth between the ages of 15 to 34 years. South Africa, as with the Province, is extremely diverse, comprising of a wide variety of cultures, languages and religious beliefs. Social trends indicate a large increase in urbanisation because of migration of the rural population to urban areas. There is also a disparity in terms of economic viability, wealth and illiteracy levels between the rural and urban population.

(b) *Implications & Challenges*

The population dynamics is of paramount importance in addressing developmental needs in society. As the population grows, there is increased pressure for government to provide social services. Furthermore, the fact that the bulk of the population are of the Youth age group exacerbates the Provinces challenges of job creation to eradicate unemployment and poverty. In addition, there is a need to increase production and employment for the growing population in order to stabilize gross domestic product (GDP) per capita. In the case of our Province, we have been experiencing a decline in the population ratio due to migration to other Provinces for employment opportunities. This has already resulted in a decrease of the percentage of the equitable share of National allocation to this Province.

(c) *Recommended interventions*

The Department will continue supporting initiatives that will create opportunities for the participation of previously disadvantaged individuals (PDIs) in the economy, with the objective of providing funding instruments, and creating an enabling environment for government procurement to enhance opportunities for PDIs through the implementation of the revised PPPFA Regulations. The Department will support Operation Vula, as part of implementing Radical Economic Transformation. Through this program, the provincial government have identified commodities that are regularly procured by government to be sourced from Small, Medium and Micro enterprises (SMMEs) and Co-

operatives. These efforts and interventions are geared towards ensuring that our economic transformation results in job creation – which will ultimately position KZN as a significant contributor towards the national target of 2 million jobs created by 2030. “Operation pay on time”, implemented by Provincial Treasury within the Province will continue as a program that has significantly improved the payment of supplier invoices with the stipulated 30 days. This intervention seeks to ensure that businesses that provide goods and services to government do not experience cash flow challenges due to late payments.

Youth Economic Participation is of critical importance to the Province to ensure radical economic transformation. Provincial Treasury has been instrumental in mobilizing additional funds from the Private Sector to complement the Youth Business Fund. ABSA, has successfully partnered with the Province with an allocation of R70 million in loans to complement the Youth Business Fund. Furthermore, through a successful memorandum of understanding with ABSA and Government, ABSA has provided an additional R500 million in loans to all entrepreneurs with government contracts. Provincial Treasury will continue with this initiative in an attempt to collaborate with other financial institutions, with an aim of substantially increasing the Youth Business Fund. A strong collaboration between KZN Treasury, Office of the Premier, Economic Development, Tourism & Environmental Affairs and Private sector financial institutions is crucial to ensure the success of these initiatives.

2.2 Economic performance

(a) Analysis

The South African economy remains subdued and our GDP fell by 3.2% in the first quarter of 2019. Statistics South Africa (Stats SA) reported that manufacturing, mining and trade were the biggest contributors to the fall. It was the sharpest quarterly decline since Q1 2009, mainly reflecting the effects of Eskom's power cuts on manufacturing and mining. The agricultural sector contracted by 13.2% quarter on quarter. The global economy is facing strong headwinds, and emerging economies will be affected. Global Trade Wars and heightened tension are contributing to restrained growth. Recently, the World Bank projected global economic growth to weaken to 2.6% in 2019. Growth remains constrained by sluggish investment and reduced appetite for risk taking. In KwaZulu-Natal, the economic performance was even lower at a negative growth of 3.5% over the same period. One of the reasons for the uninspiring economic performance has been load shedding early this year, and continued uncertainty in the supply of electricity by Eskom, the state-owned power supply utility.

(b) Implications & Challenges

Clearly, this moderate economic performance has detrimental effects on tax revenue collection by government. Real GDP growth in 2019 is expected to reach 1.5 per cent, improving moderately to 2.1 per cent in 2021, (NT 2019 Budget Review). These growth rates are, however, below the targeted 5 per cent required to achieve job creation as outlined in both the National Development Plan (NDP) and the Provincial Growth and Development Plan (PGDP). This therefore signals a steeper trajectory ahead in terms of addressing poverty, unemployment, inequality and other socio-economic challenges facing the province. A further challenge within the Province is the contingent liability which currently amounts to approximately 23.3 billion emanating from Medical Legal Claims against the Department of Health, NHLS (old laboratory service fees) and the arrears on Izinduna stipends, which places further strain on the Provinces budget.

(c) Recommended interventions

Gradual improvements in business and consumer confidence, and more effective public infrastructure spending, will be partially offset by slower global growth. While there has been progress on economic reforms, more effective implementation is needed. Government's efforts to stabilize state-owned companies – including the reconfiguration of Eskom, and infrastructure reforms are expected to support faster growth and investment in the years ahead. Provincial Treasury will continue to create a spatially based allocative framework for a balance between basic service delivery and growth of provincial economy, with the objectives of stimulating economic growth and employment creation through funding of strategic investment initiatives, and funding social needs in line with national norms and standards. Finally, the co-ordination and enhancement of revenue collection and the cash blocking system will continue to receive maximum attention by the Provincial Treasury of KZN, promoting sound cash management and thereby improving financial liquidity. Provincial Treasury's involvement in Financial Governance interventions at various Departments will continue as a medium term plan and these will result in future savings because of prudent financial management practices that could assist with the Provinces contingent liabilities. All sectors of Government, including state owned entities need to collaborate and cooperate in ensuring the fiscal sustainability of the province.

2.3 Poverty, unemployment and inequality

(a) Analysis

Despite both the political stability and moderate economic outlook of the Country, the challenges of poverty, unemployment and income inequality are still prevalent. Officially, South Africa has 6.2 million unemployed people between the ages of 15 and 64. The expanded unemployment rate, which includes discouraged work seekers, is even higher at 38%. KZN's unemployment rate is 25.1% and the expanded unemployment rate is 42.4%. This means that a little less than half of the provincial populace has no access to income. The latest information, however, from Stats SA that is somewhat encouraging, indicates that employment increased by 0.8% year-on-year between March 2018 and March 2019.

In 2015, 30.4 million of South Africa's 55 million citizens lived in poverty, or below the upper bound poverty line of R992 per person per month. One in three South Africans lived on less than R797 per month, with more women affected than men, and children and the elderly hardest hit, while racial inequalities continue to define poverty as largely a black African problem. For one in seven South Africans (13.4%) this meant extreme food poverty, or survival on R441 or less per person per month. Effectively, this is a return to the poverty levels of 2007. A decade ago, 13.7% of South Africans were extremely vulnerable to hunger, although at the time this marked significant progress as the number of those living in extreme poverty had been halved in just five years from 29.3% in 2002. Progress since then has stalled significantly (Stats SA poverty report, 2017).

(b) Implications & Challenges

As pointed out by Statistics South Africa (Stats SA, 2015b), the poverty line establishes a minimum socially acceptable standard for a predetermined welfare indicator to separate the poor from the non-poor. Currently, three poverty lines are being used; the food poverty line (FPL)¹, upper bound poverty line (UBPL)² and lower

¹The FPL is the Rand value below which individuals are unable to purchase or consume enough food to supply them with minimum per-capita-per-day energy requirement for good health (which is about 2 100 kilocalories).

bound poverty line (LBPL)³. The majority of people living in poverty in KZN were living below the UBPL in 2013 (54.2 per cent), 42 per cent was living below the LBPL and 29.5 per cent was living below the FPL. The fact that poverty is on a downward trend, particularly the proportion of households living below the FPL, is indicative of the effective implementation of the social grant programme within the province.

Since 2013, there has been no improvement in the Gini coefficient⁴ in South Africa. The index remained at 0.63 in 2015. The World Bank Report (March 2018) described South Africa as the most unequal country on earth. The report indicated that high wealth inequality and low intergenerational mobility inherited from historical inequality practices saw the disparities being passed down from generation to generation, with signs showing that the situation was worsening. While the report stressed that education and skills were the main avenue to address the inequalities - as many poor South Africans were unemployable and unskilled - it stressed that wealth inequality was much higher than income inequality.

(c) Recommended interventions

It is within this backdrop that the national government's long-term economic prospects are thus highly dependent on the successful implementation of the reforms pronounced in the MTSF and the National NDP. These include among others, large public-sector infrastructure investments in electricity and transport; expanded partnerships to encourage private-sector investment; special economic zones to boost exports; programmes to encourage more dynamic, integrated cities; and initiatives to improve the quality of education and skills development. Provincial Treasury plays a pivotal role on the KZN Provincial Infrastructure Coordination Workgroup, which is tasked to develop the KZN Provincial Infrastructure Master Plan (IMP). The objective of the IMP is to ensure that strategic infrastructure is developed to support the successful implementation of the PGDP. The IMP aligns directly with one of Provincial Treasury's Strategic Goal, which is "*to monitor and facilitate infrastructure delivery in the province.*" A further strategy of Provincial Treasury is to ensure the initialization of the Infrastructure Delivery Management System into all Provincial Departments thereby contributing towards inclusive economic growth. The rigorous implementation of the PPPFA Regulations will certainly contribute towards ensuring elimination of poverty. These initiatives require strong partnership and collaborative efforts between KZN Treasury and KZN Department of Public Works who are the implementing agents in respect of infrastructure delivery. Public private partnerships, will serve as alternate funding methods for infrastructure delivery and this initiative will require collaboration and partnerships with the private sector.

² Individuals at the UBPL purchase both adequate food and non-food items.

³ Individuals at the LBPL do not have command over enough resources to consume or purchase both adequate food and non-food items and are therefore forced to sacrifice food to obtain essential non-food items.

⁴The gini coefficient measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution (www.worldbank.org).

2.4 Governance, Integrity and Financial Management

(a) Analysis

The 2018-2019 audit outcomes in KwaZulu-Natal pertaining to departments and public entities remained unchanged with three auditees improving and three regressing. There are now five clean audits as opposed to three in the previous year. At R11,4 billion, the irregular expenditure of the province is the highest of all the provinces and more than that of national government – this despite the AGSA's ongoing recommendations to leadership to take steps to avoid the abuse of supply chain management legislation. The 2017/2018 auditor-general's report on municipal audit outcomes released on 26 June 2019, indicated that even a revamped administration could do nothing to improve matters in KwaZulu-Natal. 14 municipalities regressed, while only five recorded improvements in their financial standing and only one metro registered a clean audit. The Honourable Premier, Mr Zikalala, indicated in his address to the province in June 2019, that the report by the auditor-general (AG) depicts a terrible state of local government that is in decline, and where public officials are simply not implementing advice. Of particular concern were the high levels of consumer debt reported as well as irregular, fruitless and wasteful expenditure.

South Africa ranked 73rd out of 180 countries that participated in a Transparency International (TI) survey - which ranks participating countries according to their perceived levels of corruption in the public sector. TI's Corruption Perceptions Index 2018, which gave South Africa a score of 43 - the same score earned in 2017 - was shared by Corruption Watch. The index is considered to be the leading global indicator of public sector corruption, which uses a scale of zero to 100, where zero is highly corrupt and 100 is very clean. South Africa remains in the group of countries that scored below 50.

(b) Implications & Challenges

The Auditor-General, Mr Kimi Makwetu, called on government leaders to take urgent action to halt the trend of disappointing audit results, restore accountability and prevent mismanagement of public funds during the release of his 2018-19 general report for national and provincial government and their entities. Mr Makwetu indicated that political leaders, accounting officers and authorities, as well as oversight structures “must take immediate action to restore government's accountability to the people of South Africa. This could be done by acting on the outcomes of the recent audits, dealing effectively with material irregularities that have been identified, and implementing preventative controls to turn the tide of undesirable stewardship over public funds”.

(c) Recommended interventions

Provincial Treasury, as the oversight department on sound financial management practices in the province will develop a rigorous audit improvement strategy ensuring improved audit outcomes over the next five year planning period in line with the MTSF 2019-2024 audit improvement targets. The strategy will also focus on programs to assist with the reduction of irregular, wasteful and unauthorized expenditure. Provincial Treasuries have now been appointed by National Treasury as the condonation authority to deal with provincial irregular expenditure. This will ensure a more structured, and effective manner in addressing this huge concern in the province.

In addressing the scourge of fraud and corruption in the public service, the Honourable Premier, indicated that practical measures to uproot all forms of fraud and corruption, such as tender rigging, price-fixing, fronting, nepotism, bribery and abuse of all state institutions for personal gain, will be implemented, and rigorously

monitored. KZN Provincial Treasury's Internal Audit Branch will play a crucial role in promptly and effectively investigating issues of fraud and corruption, and in doing so, will serve as an enabler to the criminal justice system to prosecute and duly recover state monies. The Branch, through its transversal risk management and assurance services, will undertake regular risk assessments and follow up audits, ensuring the implementation of audit and risk recommendations, which will ultimately strengthen the control environments, thereby reducing the prevalence of corrupt activities within institutions. All sectors of Government, need to collaborate and cooperate in ensuring good governance and integrity within the province.

3. Internal Environment Analysis

3.1 *Organisational environment*

(a) *The approved organizational structure of the Department*

The structure of the Department consists of the Executive Authority who is the political head of the department assisted by the Head of Department who is the administrative head. Provincial Treasury as a department consists of five functional programmes.

Programme 1 - Administration

Programme 1 is responsible for providing support services to the core programmes within the department. The sub-programmes under this programme are Office of the MEC, Management Services, Financial Management and Corporate Services.

Programme 2 - Sustainable Resource Management

This programme is responsible for providing budgeting and reporting functions related to provincial departments and public entities, in terms of the PFMA. Analysis of the economy of the province, as well as infrastructure management are performed within this programme. The sub-programmes under this programme are Infrastructure Management & Economic Services and Public Finance.

Programme 3 - Financial Governance

This programme is responsible for providing financial management support to provincial departments, Municipalities and Public Entities. The sub-programmes under this programme are Asset and Liabilities Management, Supporting and Interlinked Financial Systems, Supply Chain Management, Public Private Partnerships, and Accounting Practices.

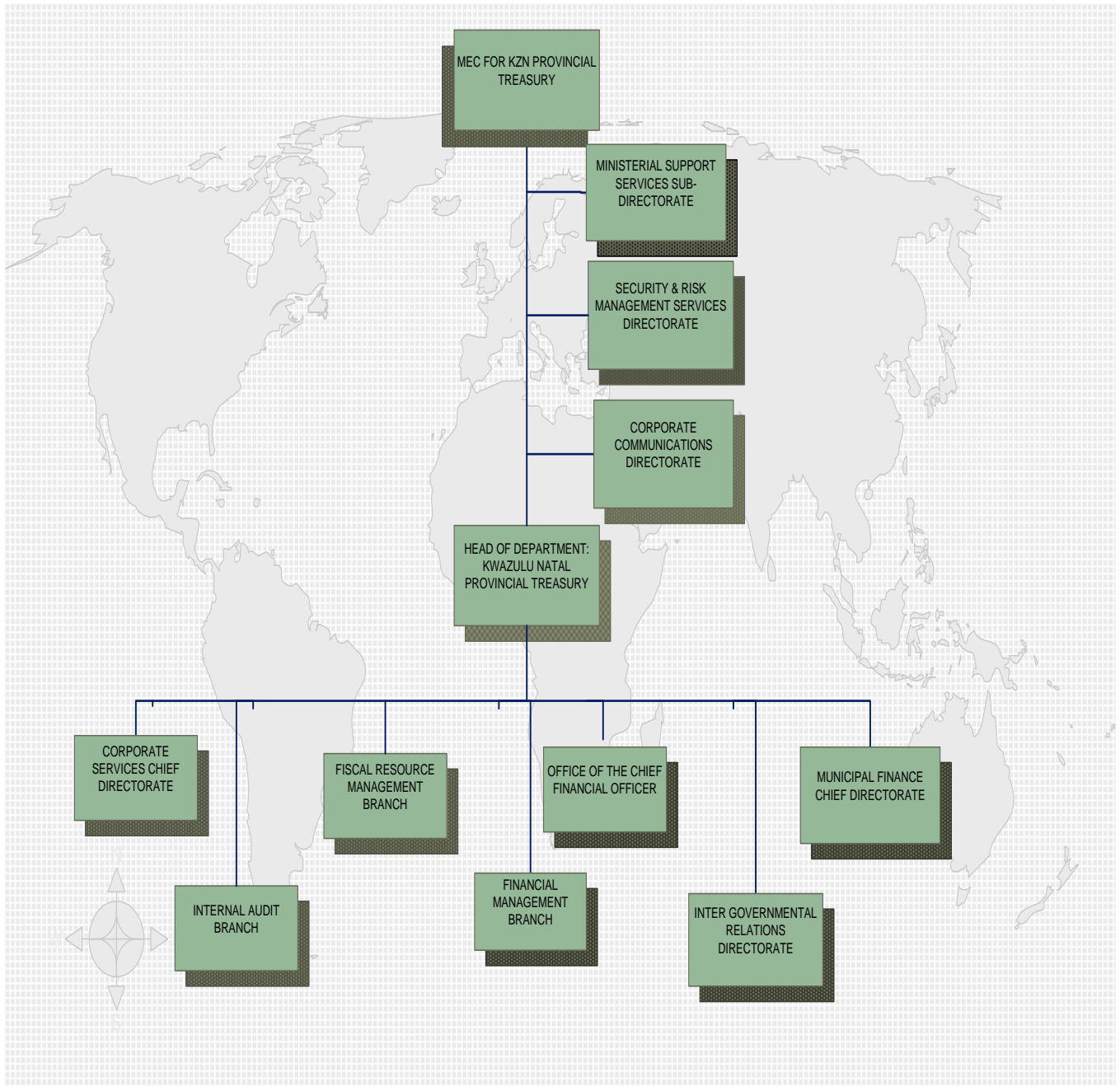
Programme 4 - Internal Audit

This programme is responsible for providing shared internal audit, risk management and forensic investigation services to provincial departments, and some of the public entities. The sub-programmes under this programme are Assurance Services, Risk Management and Forensic Services.

Programme 5 - Municipal Finance Management

This programme was established in the 2018/19 financial year due to structural alignment to that of other Provincial Treasuries, this programme will be responsible for municipalities' budget, accounting and reporting, revenue and debt management as well as the municipal support programme. The municipal revenue and debt management sub-programme will be phased in during the 2020/21 financial year.

The diagram below depicts the high-level structure of the Provincial Treasury and reflects the structural components that report directly to the Head of Department.



(b) The Departments enabling resources

The Department has an approved organizational structure of 444 posts. The current approved structure of the Department is under review in an attempt to align the same to the generic structure developed for Treasuries by the DPSA and National Treasury. Since the current approved structure does not fully support the effective delivery of the Departments mandate, there has been a need to employ a further 75 contract employees (all appointments have been duly authorized via the Premier of the Province). The employment of additional staff is an interim capacity intervention until the structural amendments are finalized and approved.

The Department has a total number of 67 posts that are vacant indicating a current vacancy rate of 15.31%. This is above the preferred vacancy rate of 10%, however, all 67 posts are funded and approximately 52 posts

have recruitment processes at various stages in place, to ensure that the Department is adequately resourced to successfully deliver the mandate of Provincial Treasury. Furthermore, the nature of the projects and support programs facilitated and managed by Provincial Treasury necessitates outsourcing. To this end, budget allocations to each program adequately compensate for the use of consultants by Programs 3, 4 and 5, which also assists with capacitating the Department to successfully achieve its objectives.

Table 6.6 below, indicates the budget allocation to Vote 6 (Provincial Treasury) per program level.

Table 6.6 : Summary of payments and estimates by programme: Provincial Treasury

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2016/17	2017/18	2018/19	2019/20			2020/21	2021/22	2022/23
1. Administration	159,101	162,962	234,049	220,209	241,112	223,772	215,771	222,191	245,835
2. Sustainable Resource Management	43,866	39,099	38,344	47,641	44,641	44,078	49,984	52,732	55,263
3. Financial Governance	207,210	199,954	194,227	223,541	207,441	205,297	219,783	230,203	236,453
4. Internal Audit	132,745	133,643	130,111	166,345	174,595	167,354	156,495	163,365	168,835
5. Municipal Finance Management	53,193	53,218	59,439	63,893	59,865	59,120	76,730	80,946	78,893
Total	596,115	588,876	656,170	721,629	727,654	699,621	718,763	749,437	785,279

Note: Programme 1 includes MEC remuneration: Salary R1 977,795 million

The Information Technology Management Unit is adequately resourced in terms of human resources, technological infrastructure, software support services and disaster recovery capabilities. This in turn provides Provincial Treasury with continuous access to critical data to enable the Organization to make informed decisions and deliver effectively on its mandate. With the 4IR IT innovation expectations, the Department will require significant IT solutions to ensure Business effectiveness and efficiency.

(c) Internal Institutional factors that negatively impacts the Department

- **National Coordination of Treasury posts from levels 10 and 12, to levels 9 and 11**

Posts within Treasury that were previously filled at levels 10 and 12, have all been downgraded to levels 9 and 11, due to the National coordination process of all CORE Treasury posts embarked upon by the DPSA and National Treasury. This creates huge challenges in talent attraction and retention. Scarce skilled areas like Forensic investigation, Economic Analysis and Budget Coordinators are facing challenges in recruiting and attracting suitable candidates for such posts due to the lowered levels.

- **Delays in finalizing the approval of the revised Organizational structure**

The current approved Organizational structure has gaps in the sense that it does not cater for critical areas of Monitoring and Evaluation, Risk and Integrity Management, Strategic Institutional Performance and additional CORE capacity to allow the Department to successfully deliver mandates relating to Revenue and Debt management within local government; Transversal contract Management; and Provincial and Municipal bid appeals tribunals. As an interim, all of these functions are performed either by contract staff or as additional responsibilities by existing staff, which is not sustainable and is not yielding the delivery results the Department would ideally intend to achieve. The structural amendments commenced in 2016 and due to budget constraints has only recently been submitted to the Minister of Public Service and Administration for concurrence.

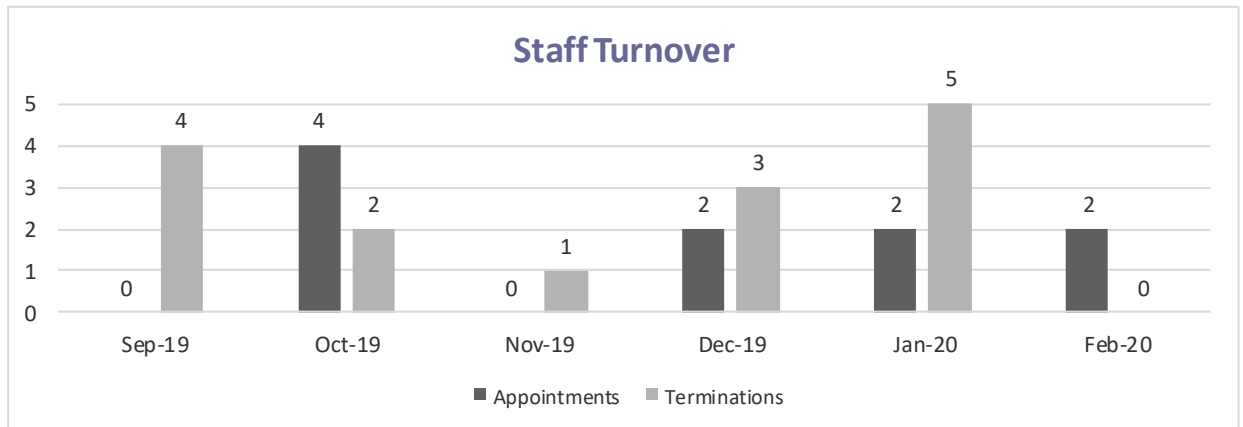
- **The possible decentralization of Program 4 – Shared Internal Audit services**

At a Provincial Executive Committee level, considerations regarding the current centralized shared services placement of the Internal Audit function are under way. Alternate options of either a fully decentralized Internal Audit versus a hybrid option is being considered. The uncertainty of the placement of this function is negatively impacting the program in that most capacity constraints can only be resolved by employing contract staff which impacts on attracting the correct skills since most skilled individuals are already within the employed populous and contract positions are not a lucrative option for such individuals.

- **High turnover rate**

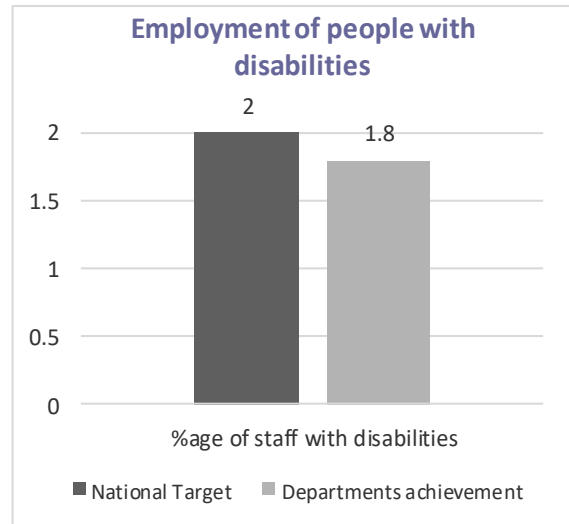
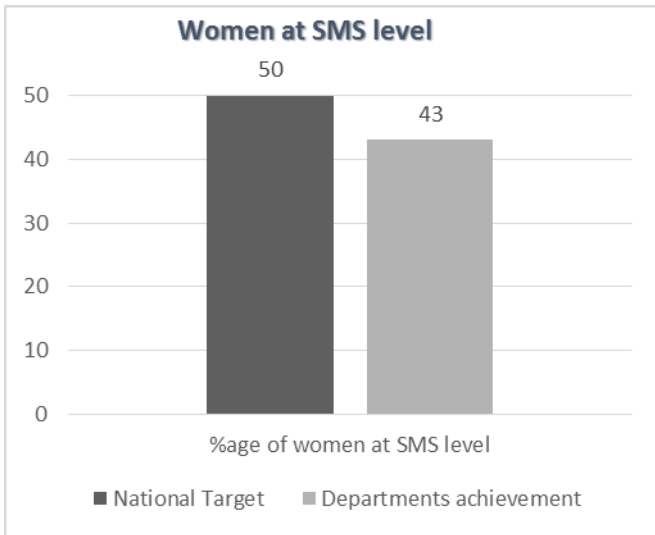
Despite the rigorous recruitment processes in place within the Department, the vacancy rate is constantly above the preferred 10% due to the high turnover of staff especially in Units like Internal Audit and Supply Chain Management.

The graph below reflects the turnover rate over a period of six months.



(d) Transformation profile of the Department

The Department is committed to meeting the National Employment Equity targets of 50% women at SMS, 2% people with disabilities and 75% Black. The Department has expressed its commitment by ensuring that only females and people with disabilities form part of the target group for all SMS posts and that an annual disability audit is conducted throughout the Department. The Head of Department has incorporated the 8-principled plan of action towards ensuring women empowerment and the institutionalization of the same into his performance agreement, and is assessed against this program’s deliverables on an annual basis. The Department as at 31 December 2019 employed 43% women at SMS; 1.80% people with disabilities and 79% Blacks. Approximately 60% of the total staff compliment constitutes the youth age group.



(e) Status of the Department in terms of BBBEE Compliance

The 2018/2019 verification conducted by Inkomba Verification Agency rated the Broad Based BEE Status of the Department as **Non-Compliant**. It is worth noting that the procurement of Professional Service Providers is the highest procurement-spending item in the Department. Thus, for the Department to change the non-compliant status its procurement spend must reflect the empowerment of business enterprises that are owned by the designated groups, namely, **B-BBEE level 1: EME or QSE** as promulgated in the PPPFA Regulations of 2017. The Department has implemented strategies that will ensure effective participation and allocation of work to Professional Service Providers with B-BBEE rating of EME or QSE, going forward. Considering, however, that existing professional service contracts do extend well over a period of more than one year, senior management closely monitors improvements in this area and there has been notable progress thus far. Rigorous continuous improvement processes have been put in place that will ensure effective participation by designated groups in the procurement system of the Department. The Department is, therefore, confident and committed to changing the non-compliance status.

(f) Audit performance of the Department

KZN Provincial Treasury obtained its 10th consecutive “*unqualified audit*”, in the 2018/2019 financial year. The Department, as the oversight body of the provinces’ fiscus, prides itself in setting an example that is aligned to its vision of being *the centre of excellence in financial and fiscal management in the country*. A further strength is the departments skilled, highly qualified, professional, and ethical human capital with a strong control environment that drives issues of good governance within the organization.

Notwithstanding the audit outcome, the department is cognisant of the R1.2 million irregular expenditure in the 2018/2019 financial year, which was fully investigated in order to implement appropriate action and measures to ensure the non-recurrence of the same. The irregular expenditure was as a result of the manner in which the previous executive authority sourced legal expertise for advisory purposes. This has been rectified by ensuring that all outsourcing required at an executive level is routed through the accounting officer to ensure full compliance with supply chain management processes.

PART C: MEASURING OUR PERFORMANCE

1. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

1.1 PROGRAMME 1 : Administration

1.1.1 The purpose of this programme is to:

- Provide strategic leadership support to the department in the area of Financial Management and Corporate Services (Human Resources, Auxiliary Services, Information Communication Technology and Legal Services).

This programme consists of the following measurable sub-programmes:

1.2 Sub-programme : Financial Management (CFO)

1.2.1 The purpose of this sub-programme is:

- To provide effective management of departmental finances in line with statutory requirements.

1.3 Sub-programme : Human Resources Management

1.3.1 The purpose of this sub-programme is:

- To provide optimal Human Resource services to the department.

1.4 Information Technology Management

1.4.1 The purpose of this sub-programme is:

- To provide IT technical and IT functional support to the department.

2. Outcomes, Outputs, Performance indicators and Targets - see tables

3. Output indicators : annual and quarterly targets - see tables

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme – Financial Management (CFO)						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improve Governance, Risk and control processes thereby reducing fraud & corruption.	Effective Financial Management Support to the department.	No material audit findings in the area of financial management of the department.	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion
	Payment of invoices in compliance with Legislation.	Percentage of supplier's valid invoices paid within 30 days.	New	New	98%	100%	100%	100%	100%

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. No material audit findings in the area of financial management of the department.	Unqualified Audit Opinion	n/a	No material audit findings in the area of financial management of the department.	n/a	n/a
2. Percentage of supplier's valid invoices paid within 30 days.	100%	100%	100%	100%	100%

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme - Human Resource Management						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improve Governance, Risk and control processes thereby reducing fraud & corruption.	Improvement in the provision of optimal Human Resource services within the Department.	No material Human Resource Management and Development audit findings.	No material Human Resource Management and Development audit findings.	No material Human Resource Management and Development audit findings.	No material Human Resource Management and Development audit findings.	No material Human Resource Management and Development audit findings.	No material Human Resource Management and Development audit findings.	No material Human Resource Management and Development audit findings.	No material Human Resource Management and Development audit findings.

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. No material Human Resource Management and Development audit findings.	No material Human Resource Management and Development audit findings.	n/a	No material Human Resource Management and Development audit findings.	n/a	n/a

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme – Information Technology Management						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improve Governance, Risk and control processes thereby reducing fraud & corruption.	Improvement in the provision of technical and functional Information Technology Management services within the Department.	No material Information Technology audit findings.	No material IT audit findings.	No material IT audit findings.	No material IT audit findings.	No material IT audit findings.	No material IT audit findings.	No material IT audit findings.	No material IT audit findings.

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. No material Information Technology audit findings.	No material IT audit findings.	n/a	No material IT audit findings.	n/a	n/a

4. Explanation of planned performance over the medium-term period

The Financial Management unit will continue providing financial management support services to both internal and external customers. The services rendered by the unit range from accounting services including the preparation of Financial Statements, as well as financial management services such as revenue collection, budgetary control, performance information, monitoring & evaluation, supply chain management, asset management, advisory services on internal control systems and governance issues. All of these services have an impact on the audit outcomes of the Department. The continuous implementation of effective internal controls will ensure that suppliers with valid invoices are paid within 30 days in compliance with the statutory requirements.

The purpose of the Human Resource Management Unit is to provide strategic human resources management support services to the Department to ensure compliance with the relevant statutory requirements. In order to ensure that there are no material Human Resource (HR) audit findings, the MTEF HR Plan for the Department must be developed and monitored on a quarterly basis ensuring that all planned strategies and compliance reporting have been delivered upon, and where there are gaps to identify and monitor reasons for the same. Furthermore, there must be quarterly monitoring of the achievement of the training and skills programs indicated on the annually developed Workplace Skills Plan (WSP) of the Department to ensure that dedicated training budgets are in fact spent and that it is spent on the correctly aligned and approved training programs. Compliance to HR legislation is vital in ensuring no material HR audit findings. To this end, quarterly HR policy related to empowerment seminars are carried out within the Department, and all HR related policies are reviewed on a quarterly basis to ensure alignment to all nationally amended directives and legislation.

The purpose of the Information Technology(IT) management Unit is to render technical and functional support on departmental wide IT systems, IT architecture and IT services. To ensure that there are no material IT related audit findings, the unit will need to follow an approved MTEF Plan (3-year implementation plan) for IT Management. The plan will consist of those projects earmarked for implementation in the MTEF from the IT 5-year strategic plan. The same plan will be used to develop an operational plan for 2020/2021. Policy development and implementation will be done on a quarterly basis to address identified gaps in the IT governance landscape. Also on a quarterly basis, compliance assessments will be undertaken to ensure policies are adhered. Where necessary IT awareness sessions will be conducted to ensure staff remain informed of IT controls and technologies in place.

The Administration programme as a whole will continue to provide strategic support in the areas of Financial Management and Corporate Services to the department to ultimately ensure that the positive audit outcomes are maintained by the department through-out the Medium Term period.

5. Programme resource considerations

Table 6.11 : Summary of payments and estimates by sub-programme: Administration

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2016/17	2017/18	2018/19	2019/20			2020/21	2021/22	2022/23
1. Office of the MEC	29,124	32,823	32,521	30,951	36,576	34,136	35,651	37,675	39,482
2. Management Services (HOD)	27,580	10,542	58,267	51,963	66,208	56,216	36,158	34,585	49,225
3. Financial Management (CFO)	21,830	32,832	31,390	34,337	34,337	34,913	36,226	38,217	40,050
4. Corporate Services	80,567	86,765	111,871	102,958	103,991	98,507	107,736	111,714	117,078
Total	159,101	162,962	234,049	220,209	241,112	223,772	215,771	222,191	245,835

Table 6.12 : Summary of payments and estimates by economic classification: Administration

R thousand	Audited Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	2016/17	2017/18	2018/19	Appropriation	Appropriation	Estimate	2020/21	2021/22	2022/23
				2019/20					
Current payments	148,999	150,022	217,157	202,456	225,943	211,789	200,821	208,429	231,413
Compensation of employees	67,170	74,943	85,853	96,062	94,598	90,260	99,946	104,581	109,598
Goods and services	81,829	75,079	131,290	106,394	131,345	121,529	100,875	103,848	121,815
Interest and rent on land	-	-	14	-	-	-	-	-	-
Transfers and subsidies to:	7,484	3,940	5,125	1,891	4,779	5,437	1,274	1,370	1,435
Provinces and municipalities	24	26	54	26	26	35	27	28	29
Departmental agencies and accounts	-	-	2	3	3	3	3	3	3
Higher education institutions	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	7	-	5	-	-	-	-	-	-
Non-profit institutions	3,857	3,264	205	213	525	103	279	294	308
Households	3,596	650	4,859	1,649	4,225	5,296	965	1,045	1,095
Payments for capital assets	2,598	8,997	11,767	15,862	10,390	6,546	13,676	12,392	12,987
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	2,598	8,997	11,767	15,604	9,030	5,186	13,404	12,105	12,686
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	258	1,360	1,360	272	287	301
Payments for financial assets	20	3	-	-	-	-	-	-	-
Total	159,101	162,962	234,049	220,209	241,112	223,772	215,771	222,191	245,835

6. Key risks and mitigations

Outcome	Key Risk	Risk Mitigation
Improve Governance, Risk & Control processes thereby reducing fraud & corruption	1. Reluctance and non-cooperation to implement proposed actions to mitigate audit, forensic and risk findings.	<ul style="list-style-type: none"> - Actively strengthen stakeholder engagements to illustrate value of compliance. - Non-compliance reporting at Executive Council and Committee of Heads of Departments (CoHOD) levels.
	2. Lack of consequence management within Institutions to deal with issues of noncompliance.	<ul style="list-style-type: none"> - Noncompliance reporting at Executive Council and CoHOD levels. - Foster strong collaboration with OTP Integrity Management Unit to strengthen Provincial compliance.
	3. Invoices not being paid within 30 days.	<ul style="list-style-type: none"> - Timeous follow ups by all stakeholders on the outstanding invoices as per the status on the invoice tracking tool.

1.2 PROGRAMME 2 : Sustainable Resource Management

1.2.1 The purpose of this programme is to:

- Manage, maintain and monitor the fiscal sustainability of the province, and
- Support improved and sustainable infrastructure delivery.

This programme consist of the following measurable sub-programmes:

1.3 Sub-programme : Economic Analysis

1.3.1 The purpose of this sub-programme is to:

- Determine and evaluate economic parameters and socio-economic imperative that informs provincial and local resource allocation.

1.4 Sub-programme : Infrastructure Management

1.4.1 The purpose of this sub-programme is to:

- Provide infrastructure support through Infrastructure Delivery Management System.

1.5 Sub-programme : Public Finance

1.5.1 The purpose of this sub-programme is to:

- Promote effective and optimal financial resource allocation for provincial government (including public entities).

2. Outcomes, Outputs, Performance indicators and Targets - see tables

3. Output indicators : annual and quarterly targets - see tables

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme - Economic Analysis						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Enhanced fiscal sustainability of the province.	Credible research for informed provincial resource allocation.	Number of reports to Evaluate and Monitor Economic Trends and Performance supporting Policy Formulation.	10 Reports	10 Reports	10 reports	10 reports	12 reports	11 reports	11 reports
		Number of reports to Evaluate and Monitor Departmental Impact Performance and Policy Formulation.	4 reports.	5 reports.	4 reports	1 report	7 reports	5 reports	5 reports

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. Number of reports to Evaluate and Monitor Economic Trends and Performance supporting Policy Formulation.	12 reports	2	3	2	5
2. Number of reports to Evaluate and Monitor Departmental Impact Performance and Policy Formulation.	7 reports	3	1	1	2

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme - Infrastructure Management						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improved and sustainable infrastructure delivery which contributes to inclusive economic growth.	Capacitated departments.	Number of reports on IDMS Oversight Monitoring and Performance Assessment at Provincial Departments.	1 report	1 report	4 reports	6 reports	6 reports	7 reports	7 reports

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. Number of reports on IDMS Oversight Monitoring and Performance Assessment at Provincial Departments.	6 reports	1 report	2 reports	1 report	2 reports

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme - Public Finance						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Enhanced fiscal sustainability of the province.	Optimal, Efficient and Effective resource allocation.	Number of MTEC reports on budget and expenditure management for realistic and credible budgets.	15	15	15	15	15	15	15
		Number of early warning system reports to address variances requiring remedial action.	15	15	16	16	18	18	18
		Inputs into DORA on provincial allocations.	32	47	3	3	1	1	1

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. Number of MTEC reports on budget and expenditure management for realistic and credible budgets.	15	n/a	15	n/a	n/a
2. Number of early warning system reports to address variances requiring remedial action.	18	5	5	5	3
3. Inputs into DORA on provincial allocations.	1	n/a	n/a	1	n/a

4. Explanation of planned performance over the medium-term period

Programme 2 Sustainable Resource Management contributes the achievement of two outcomes, namely (a) Enhanced fiscal sustainability of the Province; and (b) Improved and sustainable infrastructure delivery which contributes to inclusive economic growth. This will be achieved by the operations of the two units within Programme 2 i.e Public Finance and Infrastructure and Economic Analysis.

To achieve fiscal sustainability of the province the Economic Analysis unit will conduct economic research to inform budget allocations as well as ensuring that the provincial equitable share is correctly capturing the socio-economic and population dynamics of KZN. The Public Finance unit will ensure that the provincial budget is fully funded and that the Provincial Executive Council is fully briefed on all budget matters. The Public Finance unit will also (a) engage departments on budget planning, reporting and monitoring; (b) Prepare in-year expenditure and budget performance reports and present these to the Provincial Executive Council and the Finance Portfolio Committee to ensure there is sufficient oversight by these structures; (c) monitor and ensure adherence to the PFMA, Treasury Regulations, Division of Revenue Act and Treasury circulars pertaining to budget and expenditure management.

In terms of improved and sustainable infrastructure delivery which contributes to inclusive economic growth, the Infrastructure unit will assist departments to plan, budget and implement infrastructure projects following the infrastructure delivery management system. The departments will be assisted to produce three year infrastructure plans (infrastructure programme management plans - IPMPs) and the unit will monitor the implementation of infrastructure budgets utilising the in-year reporting model (IRM). The Infrastructure Crack Team will continue to assist in unblocking infrastructure projects that require intervention and support, as well as assisting departments, provincial government entities and municipalities that require technical support. Finally the unit will monitor the budget outputs to ensure that there is value for money in all the infrastructure projects delivered.

5. Programme resource considerations

Table 6.13 : Summary of payments and estimates by sub-programme: Sustainable Resource Management

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2016/17	2017/18	2018/19	2019/20			2020/21	2021/22	2022/23
1. Programme Support	7,824	4,361	3,749	3,413	4,125	4,012	4,248	4,470	4,685
2. Economic Analysis	22,244	20,214	17,730	26,685	22,500	22,212	25,948	27,363	28,676
3. Public Finance	13,798	14,524	16,865	17,543	18,016	17,854	19,788	20,899	21,902
Total	43,866	39,099	38,344	47,641	44,641	44,078	49,984	52,732	55,263

Table 6.14 : Summary of payments and estimates by economic classification: Sustainable Resource Management

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2016/17	2017/18	2018/19	2019/20			2020/21	2021/22	2022/23
Current payments	43,567	38,794	38,005	47,325	44,133	43,669	49,775	52,513	55,033
Compensation of employees	34,957	32,667	34,778	41,022	36,717	36,338	41,620	43,721	45,821
Goods and services	8,016	6,127	3,227	6,303	7,416	7,331	8,155	8,792	9,212
Interest and rent on land	594	-	-	-	-	-	-	-	-
Transfers and subsidies to:	-	67	-	-	105	105	-	-	-
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Higher education institutions	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	-	67	-	-	105	105	-	-	-
Payments for capital assets	299	238	339	316	403	304	209	219	230
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	299	238	339	316	403	304	209	219	230
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-	-
Total	43,866	39,099	38,344	47,641	44,641	44,078	49,984	52,732	55,263

6. Key risks and mitigations

Outcome	Key Risk	Risk Mitigation
Enhanced fiscal sustainability of the Province	1. Contingent liabilities; and unfunded mandates.	<ul style="list-style-type: none"> - Budgeting for a contingency reserve. - Targeted revenue enhancement strategies to increase Provincial Own Revenue. - Noncompliance reporting at Executive Council and Committee of Heads of Departments (CoHOD) levels.
	2. Reduced Provincial equitable share and anticipated future budget cuts	<ul style="list-style-type: none"> - Enhance compliance monitoring of cost containment measures Foster strong collaboration with OTP Integrity Management Unit to strengthen Provincial compliance. - Targeted revenue enhancement strategies to increase Provincial Own Revenue.
	3. Reluctance to cooperate and comply; and lack of consequence management within Institutions to deal with issues of noncompliance	<ul style="list-style-type: none"> - Non-compliance reporting at Executive Council and CoHOD levels. - Actively strengthen stakeholder engagements to illustrate value of compliance. - Foster strong collaboration with Department of Cooperative Governance to ensure compliance at Municipal level.
Improved and sustainable Infrastructure delivery which contributes to inclusive economic growth.	1. Reluctance and non-cooperation to adhere to IDMS principles and guidelines.	<ul style="list-style-type: none"> - Actively strengthen stakeholder engagements to illustrate value of compliance. - Noncompliance reporting at Executive Council and CoHOD levels.
	2. Lack of consequence management within Institutions to deal with issues of noncompliance.	<ul style="list-style-type: none"> - Noncompliance reporting at Executive Council and CoHOD levels. - Foster strong collaboration with DPW to strengthen Provincial compliance.

1.3 PROGRAMME 3 : FINANCIAL GOVERNANCE

1.3.1 The purpose of this programme is:

- To provide Audit readiness support to provincial departments and public entities with the objective of improving audit outcomes in the province.
- Conduct Supply Chain Management compliance assessments, Policy and Contract support services to provincial departments, public entities and municipalities.

This programme consists of the following measurable sub-programmes:

1.4 Sub-programme: Asset and Liabilities Management

1.4.1 The purpose of this sub-programme is:

- To improve the efficiency of cash management and to minimize the adverse liquidity through effective liabilities management.

1.5 Sub-programme: Supply Chain Management

1.5.1 The purpose of this sub-programme is:

- To support and monitor adherence of departments, public entities and municipalities to SCM.

1.6 Sub-programme: Accounting Services (Financial Reporting)

1.6.1 The purpose of this sub-programme is:

- To provide financial management audit readiness support to departments and public entities in the attainment of improved audit outcomes in the Province.

1.7 Sub-programme: Support and Interlinked Financial Systems

1.7.1 The purpose of this sub-programme is:

- To provide Reliable, Efficient and Effective financial systems.

1.8 Sub-programme: Public Private Partnerships

1.8.1 The purpose of this sub-programme is:

- 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.

1.9 Sub-programme: Norms and Standards

1.9.1 The purpose of this sub-programme is:

- To develop, facilitate implementation, and monitor compliance with financial norms and standards in provincial departments, municipalities and entities.

2. Outcomes, Outputs, Performance indicators and Targets - see tables

3. Output indicators : annual and quarterly targets - see tables

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme - Asset and Liabilities Management						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improved audit outcomes for the province.	Improved compliance to Tax and Banking legislation.	Number of risk analysis reports complied per department to minimise non-compliance with payroll tax legislation.	56 Risk analysis reports	56 Risk analysis reports	56 Risk analysis reports	56 Risk analysis reports	56 Risk analysis reports	56 Risk analysis reports	56 Risk analysis reports
		Number of assessment reports on status of bank related suspense accounts issued to departments to minimise audit queries.	56 Compliance Assessment reports	56 Compliance Assessment reports	56 Compliance Assessment reports	56 Compliance Assessment reports	56 Compliance Assessment reports	56 Compliance Assessment reports	56 Compliance Assessment reports

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. Number of risk analysis reports complied per department to minimise non-compliance with payroll tax legislation.	56 Risk Analysis reports	14 Risk Analysis reports	14 Risk Analysis reports	14 Risk Analysis reports	14 Risk Analysis reports
2. Number of assessment reports on status of bank related suspense accounts issued to departments to minimise audit queries.	56 Assessment reports	14 Assessment reports	14 Assessment reports	14 Assessment reports	14 Assessment reports

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme - Supply Chain Management						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improved Audit Outcomes for the Province.	Reduced number of SCM related audit findings.	Report on the % reduction in the number of SCM related audit findings.	New	New	New	New	Reduction of 30%	Reduction of 40%	Reduction of 50%
	Approved Open tender system Instruction Note.	Number of reports on the Implementation of Operational Open tender system.	New	New	New	New	Formulate Policy/Statutory Mandate and pilot in 1 Department.	Piloting Instruction Note to 3 departments.	Monitoring of implementation of the Instruction Note by Public Sector Institutions.
Improved participation of targeted groups in the Economy of the Province.	Full compliance by departments on the PPPFA Regulations inclusive of targets per targeted group.	Number of reports on the bids advertised inclusive of targets per targeted group in terms of the Procurement Plan.	New	New	New	New	4 reports on the distribution to the targeted group.	4 reports on the distribution to the targeted group.	4 reports on the distribution to the targeted group.

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. Report on the % reduction in the number of SCM related audit findings.	Reduction of 30%	Report on initiatives and projects conducted to reduce the number of SCM related audit findings.	Report on initiatives and projects conducted to reduce the number of SCM related audit findings.	Report on initiatives and projects conducted to reduce the number of SCM related audit findings.	Report on 30% reduction in the number of SCM related audit findings.
2. Number of reports on the Implementation of Operational Open tender system.	Formulate Policy/Statutory Mandate and pilot in 1 Department.	1 Report on Policy/Statutory Mandate development.	1 Report on Policy/Statutory Mandate development.	1 Report on Policy/Statutory Mandate development.	1 Report on the pilot of the Open Tender System.
3. Number of reports on the bids advertised inclusive of targets per targeted group in terms of the Procurement Plan.	4 reports on the distribution to the targeted group.	1 report on the distribution to the targeted group.	1 report on the distribution to the targeted group.	1 report on the distribution to the targeted group.	1 report on the distribution to the targeted group.

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme - Accounting Services (Financial Reporting)						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improved Audit Outcomes for the Province.	90% unqualified audit reports in Provincial public sector institutions.	Number of public sector institutions supported in financial management to reduce qualified audit opinions.	New	New	New	New	5	5	5
	Improved Financial Management compliance in the province.	Number of consolidated Instruction Note 34 to NT on compliance to Payment of suppliers invoices within 30 days.	New	New	12	12	12	12	12

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. Number of public sector institutions supported in financial management to reduce qualified audit opinions.	5	5	5	5	5
2. Number of consolidated Instruction Note 34 to NT on compliance to Payment of valid suppliers invoices within 30 days.	12	3	3	3	3

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme - Supporting and Inter-Linked Financial Systems						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improve Governance, Risk & Control processes thereby reducing Fraud & Corruption.	Reliable, efficient and effective financial systems in the province.	% of Financial transversal systems uptime.	New	New	New	New	97%	97%	97%
	Improved Financial Management Systems.	Number of reports on the Implementation of the Invoice Management System in the province.	New	New	New	New	System piloting to 2 departments.	System implementation by 6 departments.	System implementation by 12 departments.
		Number of reports on the Implementation of the e-Leave Management System in the province. (ERP)	New	New	New	New	System piloting to 2 departments.	System implementation by 6 departments.	System implementation by 12 departments.

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. % of Financial transversal systems uptime.	97%	97%	97%	97%	97%
2. Number of reports on the Implementation of the Invoice Management System in the province.	System piloting to 2 departments.	Progress report on the implementation.	Progress report on the implementation.	Progress report on the implementation.	System piloting to 2 departments.
3. Number of reports on the Implementation of the e-Leave Management System in the province. (ERP)	System piloting to 2 departments.	1 Progress report on the implementation.	1 Progress report on the implementation.	1 Progress report on the implementation.	1 report on System piloting to 2 departments.

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme - Public Private Partnerships						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improved and sustainable Infrastructure delivery which contributes to inclusive economic growth.	Capacitate Departments, Municipalities and Public Entities.	Number of Insitutions capacitated in the Implementation of the PPP Processes.	New	New	New	New	2	2	2
Improved participation of targeted groups in the Economy of the Province.	Implementation of the PPPFA regulation by Departments, Municipalities and Public Entities.	Number of Compliance reports on the implementation of the PPPFA Regulations inclusive of targets per targeted group.	New	New	New	New	4	4	4

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Number of Insitutions capacitated in the Implementation of the PPP Processes.	2	0	1	0	1
Number of Compliance reports on the implementation of the PPPFA Regulations inclusive of targets per targeted group.	4	1	1	1	1

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme - Norms and Standards						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improved Audit Outcomes for the Province.	Improved compliance with legislation by the Public sector insitutions.	Number of departments assessed to minimise non-compliance with legislation.	14	14	14	14	14	14	14
		Number of public entities assessed to minimise non-compliance with legislation.	0	8	8	8	8	8	8

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. Number of departments assessed to minimise non-compliance with legislation.	14	Follow-up on remedial measures implemented by departments and recommendations contained in the Assessment Reports issued per department for 2019/20 to address identified deficiencies.	Development and Issue of Compliance Questionnaire and Compliance Checklist for 2020/21 to 14 departments.	Compliance Assessment Report issued per department for 2020/21.	Compliance Follow-Up Report issued per department for 2020/21.
2. Number of public entities assessed to minimise non-compliance with legislation.	8	Development and Issue of Compliance Questionnaire and Compliance Checklist to 8 entities.	Compliance Assessment Report issued per entity.	Compliance Follow-Up Report issued per entity.	Monitoring Compliance & Evaluation Report compiled for 2020/21 on the 8 entities.

4. Explanation of planned performance over the medium-term period

The fundamental purpose of this programme is to facilitate financial governance and compliance with legislation, accountability and oversight by promoting transparent, economic, efficient and effective financial management of revenue, expenditure, assets, liabilities and supply chain processes in the public sector through:

- The maintenance of existing financial management systems in compliance with the PFMA and current accounting standards;
- Financial Reporting for Provincial Accounts by providing support to provincial spheres of government in implementing financial reporting frameworks towards operation clean audit and reliable consolidated financial statements.
- Promoting Financial Management Policy and Compliance with PFMA through the development of supporting guides and frameworks, instructions and regulations issued by National Treasury;
- Providing technical and related financial management support for institutional capacity development with the key objective of achieving unqualified audit reports by FY2025/2026.

5. Programme resource considerations

Table 6.16 : Summary of payments and estimates by sub-programme: Financial Governance

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2016/17	2017/18	2018/19				2019/20	2020/21	2021/22
1. Programme Support	-	-	4,459	4,235	4,235	4,215	4,468	4,712	4,938
2. Asset and Liabilities Management	14,101	16,325	14,975	14,969	12,569	11,483	15,018	15,677	15,205
3. Support and Interlinked Financial Systems	107,833	97,313	98,119	100,198	101,198	101,539	100,581	104,997	108,865
4. Supply Chain Management	39,769	39,930	38,552	45,735	36,735	35,004	48,360	51,019	53,468
5. Public, Private Partnerships	5,493	6,336	5,800	8,785	7,085	6,670	9,268	9,779	10,248
6. Accounting Services	35,087	34,441	26,101	42,497	38,497	39,415	34,563	36,081	35,410
7. Norms and Standards	4,927	5,609	6,221	7,122	7,122	6,971	7,525	7,938	8,319
Total	207,210	199,954	194,227	223,541	207,441	205,297	219,783	230,203	236,453

Table 6.17 : Summary of payments and estimates by economic classification: Financial Governance

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2016/17	2017/18	2018/19				2019/20	2020/21	2021/22
Current payments	206,011	198,008	187,258	222,493	205,876	203,823	218,617	228,622	234,795
Compensation of employees	56,955	60,455	66,065	84,792	75,795	72,188	89,615	95,267	99,839
Goods and services	149,056	137,553	121,193	136,201	130,081	131,635	128,193	132,668	134,236
Interest and rent on land	-	-	-	1,500	-	-	809	687	720
Transfers and subsidies to:	492	1,204	1,108	198	324	269	260	262	275
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	1,025	-	-	-	-	-	-	-
Higher education institutions	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	12	12	-	-	-
Households	492	179	1,108	198	312	257	260	262	275
Payments for capital assets	707	742	5,861	850	1,241	1,205	906	1,319	1,383
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	707	742	5,861	850	1,241	1,205	906	1,319	1,383
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-	-
Total	207,210	199,954	194,227	223,541	207,441	205,297	219,783	230,203	236,453

6. Key risks and mitigations

Outcome	Key Risk	Risk Mitigation
Improved Audit outcomes	1. Reluctance and non-co-operation to implement support and improvement strategies by Institutions.	<ul style="list-style-type: none"> - Actively strengthen stakeholder engagements to illustrate value add of assistance provided. - Noncompliance reporting at CoHOD and Executive Council levels.
	2. Threats and intimidation of staff as well as protest action at Municipal level that impacts the delivery of planned support interventions.	<ul style="list-style-type: none"> - Noncompliance reporting at CoHOD and Executive Council levels.
	3. Duplication of support programs to Municipalities by sister Department due to lack of understanding of National MOU.	<ul style="list-style-type: none"> - Fast track the appointment of a joint steering committee as per National MOU for Provincial Treasury and COGTA.
	4. Lack of consequence management within Institutions to deal with issues of noncompliance.	<ul style="list-style-type: none"> - Noncompliance reporting at CoHOD and Executive Council levels.
Improve Governance, Risk & Control processes thereby reducing fraud & corruption	1. Reluctance and non-cooperation to implement proposed actions to mitigate audit, forensic and risk findings.	<ul style="list-style-type: none"> - Actively strengthen stakeholder engagements to illustrate value of compliance. - Noncompliance reporting at Executive Council and CoHOD levels.
	2. Lack of consequence management within Institutions to deal with issues of noncompliance.	<ul style="list-style-type: none"> - Noncompliance reporting at Executive Council and CoHOD levels - Foster strong collaboration with OTP Integrity Management Unit to strengthen Provincial compliance.
Improved participation of targeted groups in the economy of the Province	1. Reluctance and non-cooperation to adhere to PPPFA regulations.	<ul style="list-style-type: none"> - Actively strengthen stakeholder engagements to illustrate value of compliance. - Noncompliance reporting at Executive Council and CoHOD levels.
	2. Lack of consequence management within Institutions to deal with issues of noncompliance.	<ul style="list-style-type: none"> - Noncompliance reporting at Executive Council and CoHOD levels. - Foster strong collaboration with ETEA to strengthen Provincial compliance.
Improved and sustainable Infrastructure delivery which contributes to inclusive economic growth	1. Reluctance and non-cooperation to adhere to IDMS principles and guidelines.	<ul style="list-style-type: none"> - Actively strengthen stakeholder engagements to illustrate value of compliance. - Noncompliance reporting at Executive Council and CoHOD levels.
	2. Lack of consequence management within Institutions to deal with issues of noncompliance.	<ul style="list-style-type: none"> - Noncompliance reporting at Executive Council and CoHOD levels. - Foster strong collaboration with DPW to strengthen Provincial compliance.

1.4 PROGRAMME 4 : INTERNAL AUDIT (PIAS)

1.4.1 The purpose of this programme is to:

- Promote good governance by performing Audit and Risk Advisory services at Public Sector Institutions, and

The programme consists of the following measurable sub-programmes:

1.5 Sub-programme: Assurance Services

1.5.1 The purpose of this sub-programme is to:

- Promote good governance through the provision of assurance services and recommend internal control system improvement to departments.

1.6 Sub-programme: Risk Management

1.6.1 The purpose of the sub-programme is to:

- Promote and enhance a culture of good governance through effective Risk Management.

2. Outcomes, Outputs, Performance indicators and Targets - see tables

3. Output indicators : annual and quarterly targets - see tables

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme - Assurance Services						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improve Governance, Risk and Control Processes thereby reducing Fraud and Corruption.	Improved governance of assurance and internal control in the departments.	Number of Internal Audit Reviews conducted.	150	180	136	112	81	112	112
		Number of follow-up reviews on the implementation of recommendations on resolved audit findings.	0	44	51	56	32	65	70
	Strengthened Oversight and Accountability.	Number of reports to the Oversight Structures to strengthen oversight to enforce accountability.	New	New	New	New	38	44	44

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. Number of Internal Audit Reviews conducted.	81	5	20	28	28
2. Number of follow-up reviews on the implementation of recommendations on resolved audit findings.	32	10	0	11	11
3. Number of reports to the Oversight Structures to strengthen oversight to enforce accountability.	38	5	11	11	11

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme - Risk Management						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improve Governance, Risk and Control Processes thereby reducing Fraud and Corruption.	Risk Management embedded in the Province.	Number of reports on Risk Management reviews conducted.	55	80	78	78	76	76	76
	Strengthened Internal Control & Risk Function in the province.	Number of Internal Control (IC) reports on compliance with minimum IC Standards.	New	New	New	New	1	1	1
	Strengthened Oversight and Accountability.	Number of reports to the Oversight Structures to strengthen oversight to enforce accountability.	New	New	New	New	35	40	40

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. Number of reports on Risk Management reviews conducted.	76	n/a	38	n/a	38
2. Number of Internal Control (IC) reports on compliance with minimum IC Standards.	1	n/a	n/a	n/a	1
3. Number of reports to the Oversight Structures to strengthen oversight to enforce accountability.	35	5	10	10	10

4. Explanation of planned performance over the medium-term period

Assurance Services mission is to enhance and protect organisational value by helping departments create, preserve and sustain strategic value. The Unit achieves this by conducting independent reviews of governance, risk and control processes at Provincial Departments and providing recommendations to management of departments on how to improve on the adequacy, effectiveness of internal controls and efficiencies of these processes.

In addition, the review of the implementation of these recommendations and management actions to address gaps identified is also crucial in determining the impact that internal audit has on the overall processes with departments. Departments are ultimately responsible for the implementation of corrective actions and holding senior management accountable is key and critical in the ultimate improvement in Governance, Risk and Control processes. Therefore Internal Audit, and the Audit Committee should increase the frequency and level of reporting to other oversight bodies to ensure accountability and prompt action by Departments.

5. Programme resource considerations

Table 6.19 : Summary of payments and estimates by sub-programme: Internal Audit

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2016/17	2017/18	2018/19				2019/20	2020/21	2021/22
1. Programme Support	-	-	3,964	3,729	4,979	4,502	3,934	4,150	4,350
2. Assurance Services	78,037	72,918	74,289	94,583	104,583	102,371	85,392	88,476	92,723
3. Risk Management	24,441	27,486	20,751	28,555	28,555	26,170	28,436	29,685	31,110
4. Forensic Services	30,267	33,239	31,107	39,478	36,478	34,311	38,733	41,054	40,652
Total	132,745	133,643	130,111	166,345	174,595	167,354	156,495	163,365	168,835

Table 6.20 : Summary of payments and estimates by economic classification: Internal Audit

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2016/17	2017/18	2018/19				2019/20	2020/21	2021/22
Current payments	131,683	131,826	128,534	164,915	171,801	165,108	154,992	162,264	167,681
Compensation of employees	67,544	73,099	78,719	93,841	99,727	100,036	105,939	106,760	111,883
Goods and services	64,139	58,727	49,815	71,074	72,074	65,072	49,053	55,504	55,798
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:	101	180	1,055	112	338	384	118	124	130
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Higher education institutions	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	101	180	1,055	112	338	384	118	124	130
Payments for capital assets	960	1,637	522	1,318	2,456	1,862	1,385	977	1,024
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	960	1,637	522	1,318	2,456	1,862	1,385	977	1,024
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	1	-	-	-	-	-	-	-	-
Total	132,745	133,643	130,111	166,345	174,595	167,354	156,495	163,365	168,835

6. Key risks and mitigations

Outcome	Key Risk	Risk Mitigation
<p>Improve Governance, Risk & Control processes thereby reducing fraud & corruption</p>	<p>1. Reluctance and non-cooperation to implement proposed actions to mitigate audit, forensic and risk findings.</p>	<ul style="list-style-type: none"> - Actively strengthen stakeholder engagements to illustrate value of compliance. - Noncompliance reporting at Executive Council and CoHOD levels.
	<p>2. Lack of consequence management within Institutions to deal with issues of noncompliance.</p>	<ul style="list-style-type: none"> - Noncompliance reporting at Executive Council and CoHOD levels - Foster strong collaboration with OTP Integrity Management Unit to strengthen Provincial compliance.

1.5 PROGRAMME 5 : MUNICIPAL FINANCE MANAGEMENT

1.5.1 The purpose of this programme is to:

- Provide oversight, technical support and guidance to delegated municipalities.

This programme consists of the following measurable sub-programmes:

1.6 Sub-programme: Municipal Budget

1.6.1 The purpose of this sub-programme is to:

- Promote optimal and sustainable municipal budgets as well as promote optimal implementation of budgets by municipalities and reporting on related compliance.

1.7 Sub-programme: Municipal Accounting and Reporting

1.7.1 The purpose of this sub-programme is to:

- Assist, support and monitor municipalities with financial management and compliance with the annual reporting framework.

1.8 Sub-programme: Municipal Support Programme

1.8.1 The purpose of this sub-programme is to:

- Assist and provide technical support to delegated municipalities to promote sound financial management and sustainability.

1.9 Sub-programme: Municipal Revenue and Debt Management

1.9.1 The purpose of this sub-programme is to:

- Assist and provide technical support to delegated municipalities on revenue and debt management.

2. Outcomes, Outputs, Performance indicators and Targets - see tables

3. Output indicators : annual and quarterly targets - see tables

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme - Municipal Budget						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Enhanced Fiscal Sustainability of the Province.	Provincial Treasury Recommendations Implemented by Municipalities.	Number of Delegated Municipal Tabled Budgets evaluated with feedback provided.	51	51	51	51	51	51	51
		Number of Delegated Municipal Approved Budgets evaluated with feedback provided.	51	51	51	51	51	51	51

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. Number of Delegated Municipal Tabled Budgets evaluated with feedback provided.	51	51	n/a	n/a	n/a
2. Number of Delegated Municipal Approved Budgets evaluated with feedback provided.	51	n/a	51	n/a	n/a

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme - Municipal Accounting & Reporting						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improved Audit Outcome	Provincial Treasury Recommendations Implemented by Municipalities.	Number of financial statement review projects conducted at targeted municipalities.	4	4	4	4	2 Projects	7	7
		Number of financial management support projects implemented at targeted municipalities.	Progress reports on intensive on-site financial management support to 11 municipalities.	Progress reports on intensive on-site financial management support to 4 municipalities.	Progress reports on intensive on-site financial management support to 6 municipalities.	Progress reports on intensive on-site financial management support to 6 municipalities.	Nil ¹	6 Projects	6 Projects

¹The target is not applicable to 2020/21 due to the reprioritization of the departmental 2020/21 budget as a result of the COVID-19 pandemic

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. Number of financial statement review projects conducted at targeted municipalities.	2 projects	n/a	n/a	2 projects	n/a
2. Number of financial management support projects implemented at targeted municipalities.	Nil ¹	0	0	0	0

¹The target is not applicable to 2020/21 due to the reprioritization of the departmental 2020/21 budget as a result of the COVID-19 pandemic

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-Programme - Municipal Support Programme						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improved Audit Outcome.	Provincial Treasury Recommendations Implemented by Municipalities.	Number of MSP projects implemented at targeted municipalities.	30 municipalities supported through the MSP.	19 municipalities supported through the MSP.	10 projects	3 projects	10 projects	10 projects	10 projects
	Full implementation of mSCOA by provincial municipalities.	Number of reports on the implementation of MSCOA and compliance by municipalities.	New	4 progress reports on the progress made by departments.	4 progress reports on the progress made by departments.	3 progress reports on the progress made by departments.	4 reports on the implementation progress.	4 reports on the implementation progress.	4 reports on the implementation progress.

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. Number of MSP projects implemented at targeted municipalities.	3 MSP Projects implemented	n/a	n/a	3 projects	n/a
2. Number of reports on the implementation of MSCOA and compliance by municipalities.	3 reports on the implementation progress.	n/a	1 report	1 report	1 report

Outcomes, Outputs, Performance indicators and Targets

Outcome	Outputs	Output Indicators	Sub-programme – Municipal Revenue & Debt Management						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improved Audit Outcome	Provincial Treasury Recommendations Implemented by Municipalities.	Number of Revenue and Debt projects implemented at targeted municipalities.	New	New	New	New	Nil ¹	1 project	2 projects

¹ The implementation of this sub-programme has been delayed to 2021/22 due to the re-prioritization of the departmental 2020/21 budget as a result of the COVID-19 pandemic

Output indicators : Annual and Quarterly targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1. Number of Revenue and Debt projects implemented at targeted municipalities.	Revenue and Debt project implemented at targeted municipality.	Nil ¹	0	0	0

¹ The implementation of this sub-programme has been delayed to 2021/22 due to the re-prioritization of the departmental 2020/21 budget as a result of the COVID-19 pandemic

4. Explanation of planned performance over the medium-term period

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

The following relates to the Municipal Accounting & Reporting, Municipal Support Programme and Municipal Revenue & Debt Management sub-programmes.

Adoption of a Multi-Year Approach in Supporting Municipalities

In the short term, Municipal Finance Management will focus on municipalities with minor issues and assist to address the same to promote stability. In the medium term, Municipal Finance Management will commence a three year support initiative at municipalities with major issues thereby building a foundation in years one and two for improvement by year three and promoting overall financial sustainability.

Integrated Support within Provincial Treasury

A Municipal Support Steering Committee is already in operation. This committee was established to liaise with other sub-programmes within Provincial Treasury that offer support to municipalities (i.e. Supply Chain Management, Internal Audit, Infrastructure and MFIP Advisors appointed by National Treasury) in an attempt to provide holistic integrated support from Provincial Treasury. The committee also monitors progress on support initiatives implemented and provides direction where there may be challenges hampering the effective delivery of support.

Collaboration with KZN CoGTA

In addition to providing holistic integrated support from within Provincial Treasury, Municipal Finance Management also intends to collaborate with KZN CoGTA to jointly support municipalities in terms of each department's legislative mandates without a duplication of effort. In order to guide this collaborative approach, the Memorandum of Understanding signed between National Treasury and DCoG will be replicated at a provincial level. This details the roles and responsibilities of each department and creates an enabling environment for a more effective delivery of support. Each department has an important role in the improvement of municipal audit outcomes e.g. KZN CoGTA is responsible for improving governance within municipalities which provides the foundation for Provincial Treasury to effectively deliver financial management support. The provincial Memorandum of Understanding between Provincial Treasury and KZN CoGTA has been drafted and submitted to KZN CoGTA.

Revision of the Timing of Support Delivery

In order to make a positive impact, the longer initiatives and certain short projects (e.g. pre-audit assessments) will be conducted earlier to ensure that corrective action can be implemented timeously, if required. In order to achieve this, procurement processes will be finalised in the previous financial year (31 March) to ensure that projects commence in the first month of the department's financial year.

Acceptance and Commitment from Municipal Managers

The successful implementation of support initiatives requires commitment from all stakeholders. The intention of Municipal Finance Management's support initiatives are outlined in letters addressed to the Municipal Managers of the municipalities selected. Before any deployment of resources to the municipality, the Municipal Manager is required to provide written acceptance to the Offer of support and confirm that the municipality will render its full support to the teams deployed to facilitate successful outcomes.

Employment of Fixed Term Contract Staff to Supplement Internal Capacity

The revised organisational structure has not yet been approved and implemented. Whilst the use of consultants cannot be extinguished completely, reliance thereon has been reduced. In order to supplement internal capacity in the interim, Municipal Finance Management has employed fixed term

contract staff to deliver support to municipalities. In light of the province's eighth budget cut, this has proven to be more cost effective method as compared to the hiring of consultants. It has also been more effective due to direct monitoring and oversight over the employee as opposed to the use of consultants. In the medium term, we expect to fill all vacant funded posts which will result in minimal reliance on consultants. We will also have to effectively manage the staff complement to achieve more with fewer staff as the total number of staff required was reduced significantly.

5. Programme resource considerations

Table 6.22 : Summary of payments and estimates by sub-programme: Municipal Finance Management

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2016/17	2017/18	2018/19	2019/20			2020/21	2021/22	2022/23
1. Programme Support	-	-	2,292	3,287	2,587	2,585	3,363	3,440	3,608
2. Municipal Budget	53,193	53,218	24,661	27,714	26,974	26,539	29,589	29,530	30,949
3. Municipal Accounting and Reporting	-	-	-	14,919	14,503	14,472	20,349	23,170	18,618
4. Municipal Support Programme	-	-	32,486	17,973	15,801	15,524	16,269	14,659	15,210
5. Municipal Revenue and Debt Management	-	-	-	-	-	-	7,160	10,147	10,508
Total	53,193	53,218	59,439	63,893	59,865	59,120	76,730	80,946	78,893

Table 6.23 : Summary of payments and estimates by economic classification: Municipal Finance Management

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2016/17	2017/18	2018/19	2019/20			2020/21	2021/22	2022/23
Current payments	53,017	52,860	59,081	63,174	59,036	58,316	75,312	80,424	78,658
Compensation of employees	25,757	29,616	34,231	44,295	40,983	40,352	46,794	43,453	41,725
Goods and services	27,260	23,244	24,850	18,879	18,053	17,964	28,518	36,971	36,933
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:	-	28	5	-	26	35	-	-	-
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Higher education institutions	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	-	28	5	-	26	35	-	-	-
Payments for capital assets	176	327	353	719	803	769	1,418	522	235
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	176	327	353	719	803	769	1,418	522	235
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	3	-	-	-	-	-	-	-
Total	53,193	53,218	59,439	63,893	59,865	59,120	76,730	80,946	78,893

6. Key risks and mitigations

Outcome	Key Risk	Risk Mitigation
Enhanced fiscal sustainability of the Province	1. Contingent liabilities; and unfunded mandates.	<ul style="list-style-type: none"> - Budgeting for a contingency reserve. - Targeted revenue enhancement strategies to increase Provincial Own Revenue. - Noncompliance reporting at Executive Council and CoHOD levels.
	2. Reduced Provincial equitable share and anticipated future budget cuts	<ul style="list-style-type: none"> - Enhance compliance monitoring of cost containment measures Foster strong collaboration with OTP Integrity Management Unit to strengthen Provincial compliance. - Targeted revenue enhancement strategies to increase Provincial Own Revenue.
Improved Audit outcomes	1. Reluctance and non-co-operation to implement support and improvement strategies by Institutions.	<ul style="list-style-type: none"> - Actively strengthen stakeholder engagements to illustrate value add of assistance provided. - Noncompliance reporting at CoHOD and Executive Council levels.
	2. Threats and intimidation of staff as well as protest action at Municipal level that impacts the delivery of planned support interventions.	<ul style="list-style-type: none"> - Noncompliance reporting at CoHOD and Executive Council levels.
	3. Duplication of support programs to Municipalities by sister Department due to lack of understanding of National MOU.	<ul style="list-style-type: none"> - Fast track the appointment of a joint steering committee as per National MOU for Provincial Treasury and COGTA.
	4. Lack of consequence management within Institutions to deal with issues of noncompliance.	<ul style="list-style-type: none"> - Noncompliance reporting at CoHOD and Executive Council levels.

7. Public Entities

The department does not have any public entity.

8. Infrastructure Projects

KwaZulu-Natal Provincial Treasury does not have a long term capital infrastructure as a department, however, it does assist other departments in the following areas;

- providing support in the infrastructure planning, monitoring and evaluation of the programmes that contributes to effective economic and social infrastructure for KZN

to facilitate implementation and institutionalisation of the IDMS in all KZN provincial departments and municipalities to assist and provide technical support to the development of the KZN Provincial Infrastructure Master Plan.

9. Public Private Partnerships (PPP's)

The department does not have any PPP projects.

PART D : TECHNICAL INDICATOR DESCRIPTION (TID's)

LIST OF ABBREVIATIONS

ABBREVIATION	FULL DESCRIPTION
AEPRE	Adjustments Estimate of Provincial Revenue and Expenditure
AFS	Annual Financial Statements
AG	Auditor - General
CARC	Cluster Audit and Risk Committees
CD	Chief Director
CFO	Chief Financial Officer
CSD	Central Supplier Database
DDG	Deputy Director General
EH&W	Employee Health and Wellness
EPRE	Estimate of Provincial Revenue and Expenditure
FLP	Financial Literacy Programme
FMCMM	Financial Management Capability Maturity Model
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
HOD	Head of Department
HRP	Human Resource Plan
IDMS	Infrastructure Delivery Management System
IDP	Integrated Development Plans
IGCC	Inter-Governmental Cash Co-ordination
IMF	International Monetary Fund
IPMP	Infrastructure Programme Management Plan
IRM	Infrastructure Reporting Model
KZNPG	KwaZulu-Natal Provincial Government
LED	Local Economic Development
MBAT	Municipal Bid Appeals Tribunals
MBRR	Municipal Budget and Reporting Regulations
MEC	Member of the Executive Committee
MFMA	Municipal Finance Management Act
MPAT	Monitoring Performance Assessment Tool
MSP	Municipal Support Programme
MTEF	Medium Term Expenditure Framework
MTREF	Medium Term Revenue and Expenditure Framework
OES	Organisational Efficiency Services
OSD	Occupation Specific Dispensation
PARC	Provincial Audit Risk Committee
PERO	Provincial Economic Review and Outlook
PFMA	Public Finance Management Act
PGDP	Provincial Growth and Development Plan
PMG	Pay Master-General
PPP	Public Private Partnerships
SAICA	South African Institute of Chartered Accountants
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SERO	Social-Economic Review and Outlook
SLA	Service Level Agreement
U-AMPs	User Asset Management Plans
WSP	Workplace Skills Plan
SWOT	Strengths, Weaknesses, Opportunities and Threats
PESTEL	Political, Economic, Social, Technological, Environmental and Legal
DORA	Division of Revenue Act
MTSF	Medium Term Strategic Framework

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