



KWAZULU-NATAL PROVINCE

TREASURY
REPUBLIC OF SOUTH AFRICA



HON. NELISWA PEGGY NKONYENI

MEC: FINANCE

E-DIALOGUE

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**FOCUS: 2022/23 PROVINCIAL ADJUSTMENTS
ESTIMATES BUDGET**





Acting MEC for Finance, Bongwiwe Sithole-Moloi addresses Members of the Legislature during the tabling of the budget speech. The MEC was supported by HOD Carol Coetsee, Mrs Tanya Stielau, Mrs Neli Shezi and Ms. Nomthi Mjuza.

KwaZulu-Natal Acting MEC for Finance, Mrs Bongwiwe Sithole-Moloi, tabled the Provincial Adjustments Estimates Budget at the Legislature on Thursday, 24 November 2022.

The adjustments to the provincial budget are a culmination of engagements between the Provincial Treasury and departments on the spending priorities. The exercise took into account the outcomes of the mid-year revenue and expenditure review process.

Tabling the speech on behalf of MEC Nkonyeni, the acting MEC for Finance said: "The last two to three years have taught us a lot about dealing with adversity. We have had to deal with an international pandemic unprecedented in our lifetime, the July unrests, as well as devastating flood disasters. Many of these have impacted on our personal lives, on our livelihoods and also on our economic growth."

Section 31 of the Public Finance Management Act (PFMA) stipulates the circumstances under which the province may table an Adjustments Budget, while Treasury Regulation 6.6.3 requires provinces to table such Adjustments Budget within 30 days of the national Adjustments Budget being tabled.

The Provincial 2022/23 Adjustments Budget was, thus, being tabled after the national Adjustments Appropriation was tabled in Parliament on 26th of October 2022.

The Adjustments Estimate deals with various amendments to the provincial budget, including conditional grant roll-overs, reprioritisation undertaken in response to the April 2022 flood disaster, as well as the allocation of funds received from National Treasury. We also formalise the suspension of any funds between Votes, based on requests made by the respective Votes.

The Adjustments Budget also deals with the virement of funds, with this being an opportunity for departments to align their budgets to changes in circumstances and thus allows the budget to be a dynamic management tool. MEC Sithole-Moloi said: "The main objective is to appropriate funds received from National Treasury, donors towards flood response, funds from Provincial cash resources as well as to formalise movement of funds within and between votes as some of these virements need Legislature approval."

The Provincial Adjustments Estimates Budget is critical as the Provincial Government is still in the process of recovery following the last year's civil unrest and the devastating floods.

Speaking before the Legislature the MEC said: "I am pleased to say that the province remains cash positive as has been the case since May 2010, despite there being significant in-year budget pressures largely as a result of the severe budget cuts this province has seen," said the MEC.

The Adjustments Appropriation Bill, 2022 for the Province of KwaZulu-Natal was tabled for consideration in the Legislature, the Adjustments Estimate of Provincial Revenue and Expenditure. The tabling was followed by the debate and vote on the Bill.

Rounding up her remarks, the MEC said: "Our people are relying on us now more than ever. We cannot fail them. Us as leaders in government must portray self-less service. It is through leading by example that we can really make a difference."

ECONOMIC OUTLOOK AND IT'S IMPACT ON BUDGETS

GLOBAL ECONOMIC OUTLOOK

Budgets are never tabled in isolation, but are tabled in the context of prevailing economic circumstances. We can all agree that the last two years have brought with them many uncertainties in the global economy. The International Monetary Fund (IMF) has revised global growth estimates downwards for 2022 from 4.4 per cent to 3.2 per cent, with the growth estimates for 2023 revised downward from 3.8 per cent to 2.7 per cent.

The recovery in economic growth we had begun to see post-Covid, was brought to a halt by the Russia/ Ukraine war, while domestic issues (including load shedding) have also had an impact on our economic growth prospects.

The increase in inflation across the globe has also had a negative impact, leading to higher borrowing costs but also making access to borrowing and capital by governments more difficult and expensive.



SOUTH AFRICAN ECONOMIC OUTLOOK

South Africa has a structural growth challenge. Load shedding continues to impact on our growth, having worsened during the year in comparison to the previous year. Added to this, is that the impact of inflation on households is detrimental which influences expenditure and directly on gross domestic expenditure.

These structural challenges were intensified by the global economic slowdown, the high energy and food prices, as well as the devastating floods that hit this province in April and May of this year.

The Minister of Finance indicated in his Medium-Term Budget Policy Statements speech, we are likely to achieve a primary surplus by 2023/24. The aim is to reduce the budget deficit, to stabilize debt and to address fiscal risks. Furthermore, emphasis will be placed on supporting economic growth.



ECONOMIC OUTLOOK FOR KWAZULU-NATAL

KwaZulu-Natal suffered a significant setback in July last year, which derailed the provincial economic recovery after the devastating effect of Covid-19.

The July unrests undermined the efforts to reconstruct and rehabilitate the provincial economy post-Covid. The catastrophic flooding in April and May this year exacerbated the situation by causing extensive economic and social infrastructure damage.

The provincial economy is expected to grow by 1.9 and 1.3 per cent in 2022 and 2023, respectively. These growth rates need to be improved if we want to sustainably support Small, Medium and Micro enterprises (SMMEs), reduce high unemployment rates, and improve people's lives in this province.



FINANCING THE 2022/23 ADJUSTMENTS ESTIMATE

The province remains cash positive as has been the case since May 2010, despite there being significant in-year budget pressures largely as a result of the severe budget cuts this province has seen. As a result of these budget pressures, we have significantly less flexibility to provide additional funding in this Adjustments Budget to various provincial priorities.

While the departments and public entities submitted in-year requests for additional funding in the amount of R3.7 billion, and departments requested provincial equitable share roll-overs from 2021/22 for spending in this year of R133 million, none of these could receive additional funding.

The 2021/22 Adjusted Budget was under-spent by R23.4 million and that the Provincial Own Revenue budget was under-collected by R75.7 million. This, together with the remaining budgeted surplus of R100 million in 2021/22 and a few technical adjustments, saw the province ending the 2021/22 financial year with an audited surplus of just under R46 million.



HOD Carol Coetzee, Mrs Tanya Stielau, Mrs Neli Shezi

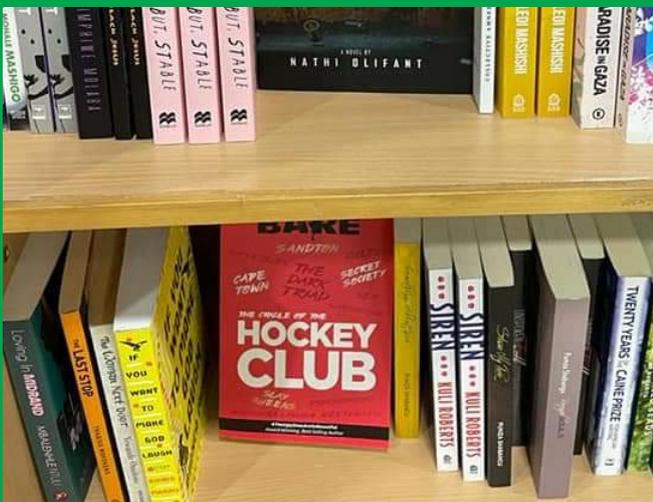
CONDITIONAL GRANT ROLL-OVERS

Three grants were approved for roll-over by National Treasury, with the aggregate approved roll-over amounting to R113.7 million:

The National School Nutrition Programme (NSNP) grant under Vote 5: Education under-spent by R53.9 million and the full amount was approved for roll-over

The Early Childhood Development (ECD) grant under Vote 13: Social Development under-spent by R82.4 million with R38.8 million approved for roll-over and the balance had to be surrendered to the National Revenue Fund

The Community Library Services grant under Vote 10: Sport, Arts and Culture under-spent by R21 million and the full amount was approved for roll-over.



PROVINCIAL EQUITABLE SHARE ROLL-OVERS AND PROVINCIAL COMMITMENTS

Once the conditional grant roll-overs and surrenders were dealt with, the net financial position was in deficit by R111.9 million. This meant that there were no funds available to fund any of the provincial equitable share roll-over requests

The Financial Management of Parliament and Provincial Legislatures Act (FMPPLA) determines that the Provincial Legislature automatically retains any unspent operational funds from the previous year before without having to apply for a roll-over unlike provincial departments. The Provincial Legislature under-spent their operational budget by R85.2 million and this full amount therefore has to be provided for.

Vote 2: Provincial Legislature receives R10.9 million, as follows:

- R5.8 million is allocated, being own revenue that was over-collected in 2021/22. Section 22 of the PFMA and FMPPLA determine that any revenue over-collection from the prior year is automatically allocated back to the Provincial Legislature in the ensuing year.
- R5.2 million is allocated to the Legislature being funds required to fund the Statutory allocation relating to the Members' remuneration. This relates to the increases provided for MPLs in-year which were backdated to April 2021, as well as to provide for exit packages for MPLs who have exited the Legislature. The Statutory allocation is a direct charge on the Revenue Fund and must therefore be funded.

The provincial net financial position is in deficit by R213.9 million once these commitments have been funded.



Acting MEC for Finance, Bongive Sithole-Moloi



Mrs Tanya Stielau, Mrs Neli Shezi and Ms. Nomthi Mjuza.

2022/23 CONTINGENCY RESERVE

The province budgeted for a Contingency Reserve of R350 million when the 2022/23 main budget was set. Also, funds in the amount of R2.8 billion received from National Treasury were not allocated to departments when the main budget was set as these were for the carry-through costs of the 2021 wage agreement and were agreed to be allocated in-year to all Votes showing spending pressure from these carry-through costs.

Instead of R2.8 billion being held in reserve for allocation to departments in-year, only R2.6 billion was held in reserve, due to the net deficit financial position. The province is only able to top up the wage increment funds by R136.1 million. R2.7 billion is available to allocate to departments with respect to the carry-through costs of the 2021 wage agreement.



HOD Carol Coetzee with the Public Finance Unit team, responsible for the compilation of the budget.

EQUITABLE SHARE AND CONDITIONAL GRANT ALLOCATIONS

The funds allocated by National Treasury to KwaZulu-Natal amount to R3.2 billion. In this regard, R2.2 billion is added to the provincial equitable share, and R1 billion is added to the conditional grant allocation.

FUNDS ALLOCATED FOR THE 3 PER CENT WAGE INCREMENT

National Treasury allocated R2.1 billion to the province for the provisional 3 per cent increase in salaries for all levels of employees, in line with the pronouncement made by the Minister of Finance in his MTBPS speech.

Two departments indicated that they are able to absorb these costs from within their budget, due to savings from vacancies, while the others received an allocation, as follows:

- Vote 1: Office of the Premier receives R6.5 million
- Vote 2: Provincial Legislature receives R7 million.
- Vote 3: Agriculture and Rural Development receives R24.5 million.
- Vote 4: EDTEA receives R8.6 million.
- Vote 5: Education receives R1.2 billion.
- Vote 7: Health receives R866.5 million.
- Vote 8: Human Settlements receives R5.4 million.
- Vote 9: Community Safety and Liaison receives R2.4 million.
- Vote 10: Sport, Arts and Culture receives R6.3 million.
- Vote 13: Social Development receives R28.6 million.
- Vote 14: Public Works receives R13.5 million.

FLOOD RESPONSE ALLOCATIONS

The funds allocated by National Treasury to the province for the flood disaster response amount to R1.1 billion.

FUNDING FOR APRIL FLOOD DISASTER

- In aggregate, if the funds received from National Treasury towards the flood response are taken into account, the funds reprioritised from within the province's budget, as well as the donor funding, then R4.2 billion is allocated in the current year towards the flood response activities.
- National Treasury indicated that further funds will be allocated for this purpose in the 2023/24 budget, while some departments indicated that they will also reprioritise funds towards this in the next financial year.



Acting MEC for Finance, Bongilewe Sibhohle-Moloi



Homes destroyed by the devastating floods in KZN.

FUNDS RECEIVED FROM NATIONAL TREASURY FOR THE FLOOD RESPONSE

National Treasury allocated R1.1 billion to the province for the flood response, made up as follows:



Rescue mission after children were left destitute following the floods.



Flooded classrooms which affected learning.



Roads and homes completely destroyed by heavy flooding.



Vote 13: Social Development receives **R48.5 million**, added to the department's provincial equitable share. These funds are to provide support for the care and protection of the flood victims placed in shelters. The funds are for formula and disposable nappies for infants, meals for victims in shelters, to pay shelter-based social workers and social work supervisors, as well as for a system used by the shelters to track the progress of the victims within the shelters.

Vote 5: Education receives an addition to the Education Infrastructure grant and an amount of R95.1 million is allocated for the reconstruction and rehabilitation of schools damaged by the floods.

Vote 12: Transport receives **R589.3 million** towards the Provincial Roads Maintenance grant for the repair of provincial roads damaged by the floods.

Government Gazette No. 47 197 was issued on 5 August 2022. This Gazette allocated R325.8 million to the province, specifically to the Provincial Emergency Housing grant under **Vote 8: Human Settlements**. The allocation was to provide funding towards the April 2022 flood disaster response and was for the provision of 4 983 Temporary Residential Units in the flood-affected areas.

ALLOCATION OF FUNDS RECEIVED THROUGH DONATIONS



Images depicting the devastation caused by the April floods where lives were lost and homes destroyed. The Province hosted a Provincial Prayer with family members of the floods victims.

We want to express our gratitude to everyone who gave towards this disaster response. To help someone in need is an honour and is the foundation on which humanity is built. In some instances, assistance was given by providing food, clothing, blankets and so forth. In other instances, cash donations were given.

When the flood disaster occurred, the province opened a separate bank account in which cash donations could be deposited and the allocation of these cash donations is included in the Adjustments Estimate. These funds are specifically and exclusively allocated, which means they cannot be used for any other purpose than for providing for the flood response.

The province received R10.3 million in donor funding, from organisations such as Tsogo Sun, Harmony Gold, Qatar, Afreximbank, the African Union and various other anonymous donors. Some of the donors were specific as to what purpose they wanted the funds to be allocated for, while others indicated it was for the flood response generally.



Tsogo Sun gave donations to support schools affected by floods



Dr. Nondumiso Mzizana donated R100 000 for health support for the floods devastation.



African Union 

Tsogo Sun, Harmony Gold, Qatar, Afreximbank, the African Union gave floods donations to support KZN.

- R3 million was allocated to Vote 5: Education and was allocated specifically for the repair and renovation of four specifically mentioned schools with these funds received from Tsogo Sun;
- R100 000 was allocated to Vote 7: Health received from Dr Nondumiso Mzizana. These funds were allocated specifically for Health to use in terms of their disaster response.
- R2.670 million was allocated to Vote 1: Office of the Premier, being the funds received from the AU. These funds are allocated for further support to the victims of the flood disaster.
- R2.275 million was allocated to Vote 8: Human Settlements from funds allocated by various donors for the disaster response. The funds are for the provision of temporary residential accommodation and associated costs for the affected families moved from the various community halls/shelters.
- R2.275 million was allocated to Vote 13: Social Development from funds allocated by various donors for the disaster response towards the ongoing needs of supporting the victims of the floods.

SIU AND KZN TREASURY JOIN HANDS TO STRENGTHEN GOOD GOVERNANCE



HOD Carol Coetzee, CFO Thabani Ndlovu with Mr Pranesh Maharaj during the SIU/ Treasury engagement.

The Special Investigating Unit (SIU) continued to forge good working relations with the KwaZulu-Natal Provincial Treasury when they met to discuss the Department's risk management plan to combat fraud and corruption.

The initiative is part of the SIU's Prevention, Advisory and Awareness Anti-Corruption Campaign which was initiated as part of the SIU's revised operating model. The campaign aims to build partnerships between the SIU and government departments while instilling values of good governance.

The partners emphasised the importance of, firstly, creating early-warning systems to pro-actively detect and prevent fraud and corruption and, secondly, ensuring the implementation of consistent consequence management.

Addressing the Department staff during the workshop, SIU's Chief Programme Portfolio Officer, Mr Pranesh Maharaj said the purpose of the awareness campaign is two-fold:

- (a) To allow Provincial Treasury to identify its key risk and mitigation strategies which will inform its risk management plan, and
- (b) To break down silos in government by getting state institutions, to leverage off the skills that the SIU can offer in the prevention and combatting of fraud, maladministration and corruption.

Mr Maharaj said, "This is not about 'us versus them' - we come together as two organisations to work as a collective to protect the public interest and the public purse. It is incumbent upon us to win the fight against fraud and corruption. This can only be done when state institutions stand together as one.

Mr Maharaj said that the workshop will culminate in the preparation of a systemic improvement plan by the SIU in consultation with the Provincial Treasury. The SIU will assist the Provincial Treasury with implementation of the Plan and will also monitor implementation.

The workshop focused on the identification mitigation of organisational risks in the areas of Supply Chain Management, Financial Management, Risk Management and Administration/Document Management.

KZN Provincial Treasury Head of Department, Ms Carol Coetzee, said that this is an important and necessary campaign. She thanked the SIU for bringing it to the department.

"We want to build a strong working relationship the SIU, given the mandate of the Treasury. We want to see a shift on how we work and not see the organisation as a watchdog. As Treasury, it is important that we seek guidance from the SIU when confronted with complex policy matters. We are all working for government and we need to be able to open the lines of communication to eliminate the need for investigations," said HoD Coetzee.

A risk management approach to corruption prevention is a good way to ensure that the risks of corruption are identified, understood and effectively managed. The approach helps to identify structural weaknesses that may facilitate corruption; provides a framework for every level of authority in an organisation to take part in identifying risk factors and risk mitigation measures; and embeds corruption prevention within the organisation's governance framework.

The SIU works together with State institutions to conduct targeted awareness campaigns such as this one to create an environment where accountability and consequence management is encouraged. The added advantage of this collaboration is to send a clear message that the SIU, in keeping with the spirit of the National Anti-Corruption Strategy, is actively working together with state institutions to share knowledge and skills to ensure that the fight against corruption is strengthened and that the SIU's recommendations for consequence management and remedial; action are duly and consistently implemented.

FRAUD AWARENESS WEEK



HOD Carol Coetzee signs an Anti-Fraud and Corruption Pledge



Mrs Londiwe Japi, Director Assurance Services and Ms. Kudzai Musasiwa, Director: Risk & Advisory Services.



Provincial Treasury and SIU officials discuss risk identification and mitigation approaches which will enable the Department to fight fraud and corruption.



The KwaZulu – Natal Provincial Treasury, "the Department" participated in the International Fraud Awareness week set for the 13 - 19 November 2022. The aim of the week being to promote the understanding and awareness of the subject matter of fraud. Our vision as KZN Provincial Treasury is to "be the centre of excellence in financial and fiscal management in the country".

The Department is committed to promoting good governance and creating an ethical environment enshrined on our core values of responsibility, efficiency, service excellence, financial discipline, professionalism, integrity, respect and loyalty.

During the fraud awareness week, the Department had a number of initiatives to raise fraud and Ethics awareness which included;

- Communication being disseminated to all the employees from the MEC: Honourable Peggy Neliswa Nkonyeni through the digital banner setting the tone that it is the responsibility of each and employee to embrace the culture of zero tolerance towards fraud and corruption.
- The Fraud Prevention Plan and related documents were shared with every employee to assisting in the understating of the subject of fraud, ethics and corruption through the link on the intranet: <http://intranet.kzntreasury.gov.za/Organizational%20risk%20and%20integrity>
- Presentation of the Prevention Plan and summary of the Ethics, Corruption and Fraud survey response rate was conducted at the Management Committee meeting (MANCO) on 19 November 2022.

The Department is committed to the promotion of an anti-fraud and anti-corruption culture throughout the Department and more awareness sessions will be continually be provided though the Organisational Risk and Integrity Management Unit. The unit exists to manage and oversee the provisioning of effective and efficient departmental risk and integrity management services in terms legislative mandates within the Department. The Departments' systems, policies, procedures, rules and regulations, effective risk management assist in strengthening of the internal controls for fraud prevention.

The Department makes use of the National Anti-Corruption Fraud Hot-line (PSC) toll-free number: **0800 701 701**.

PROVINCIAL CONTRACT MANAGEMENT WORKSHOP FOR DEPARTMENTS, PUBLIC ENTITIES, MUNICIPALITIES AND MUNICIPAL ENTITIES



Mrs Thuli Mlawu, Ms. Anele Dlamini, Ms Philia Potgieter, Ms Nomzamo Kubheka, Mrs Nonjabulo Ndlovu and Mr Steven Botsime.



Officials working in SCM Contract Management engaged National Treasury on the usage of the system and raised potential risk areas.



The Provincial Treasury Supply Chain Management Unit, in response to challenges related to management of contracts within the Province, organised a Contract Management Workshop for Provincial Departments and Public Entities on the 15th of November 2022 held at Ezemvelo KZN Wildlife and for Provincial Municipalities and Municipal Entities on the 16th of November 2022 held at Cedara, KZN Department of Agriculture and Rural Development.

The aim of these Workshops was to build capacity within the Contract Management Units in line with the Contract Management Framework issued by National Treasury as poor management of contracts has been identified as one of the contributors to irregular expenditure incurred by the Province.

The target group for these workshops was the Supply Chain Managers and Contract Management Practitioners as they are involved on day-to-day management of contracts, including the updating of contract registers and facilitation of contract extensions and variations. Another workshop will be held where all the role players in the contract life cycle will be invited.

When opening the two workshops, Mrs Mlawu who is the Chief Director for the Provincial Supply Chain Management Unit made detailed remarks on the amount of irregular expenditure incurred by the Province as presented on the recent 2021/2022 Auditor General's reports. She further indicated that a huge amount of irregular expenditure emanated from poor management of contracts and she believes that these workshops will produce positive results which will lead to elimination of this irregular expenditure through compliance on the Contract Management Framework and all the related legislation and policies.

“The development of contract management functionality on the eTenders Portal will address a number of challenges in relation to effective and efficient management of contracts.”

PROVINCIAL CONTRACT MANAGEMENT WORKSHOP FOR DEPARTMENTS, PUBLIC ENTITIES, MUNICIPALITIES AND MUNICIPAL ENTITIES



Ms Philia Potgieter and Ms Nomzamo Kubheka presented the overview of the Contract Management Framework.



Officials working in SCM Transversal Contract Management at the workshop hosted by National and KZN Treasury .



National Treasury was also invited and was represented by Mr Steven Botsimeme who presented the developments and enhancements on the eTenders Portal, with more focus on the contract management functionality which has been added as new enhancement on the portal. The development of contract management functionality on the eTenders Portal will address a number of challenges in relation to effective and efficient management of contracts. This includes, but not limited to document management as all the contract related documents will be stored on the system and always be available for audit purposes, use of expired contracts, updating of information on the contract registers which also includes payment and supplier performance information. This tool was viewed as an important step towards full automation and effective management of information. A live demonstration on the Contract Management Portal was also presented.

An overview of the Contract Management Framework was presented and all the critical areas of the Contract Register where irregular expenditure usually emanates from were highlighted. The engagements during these workshops indicated that the Contract Management Practitioners really needed this type of engagement and it reminded them of the skills they need to possess, which includes some Legal and Risk Management background. It was also raised as a concern that some of the Institutions do not have fully functional Contract Management Units.

WAY FORWARD

The Provincial Contract Management Unit has already requested the contract registers from Departments to analyse all the existing contracts and site visits will be conducted to assist Departments with specific challenges to eradicate the use of irregular and expired contracts. The entire functioning of the Contract Management Units will also be assessed and recommendations be submitted to Senior Management of the Institutions. Institutions will also be encouraged to start using the contract management functionality on the eTenders Portal so that the system gaps can be identified at an early stage and submitted to National Treasury for consideration.

PHOTO GALLERY: 2022/23 PROVINCIAL ADJUSTMENTS ESTIMATES BUDGET



KwaZulu-Natal Acting MEC for Finance, Mrs Bongwiwe Sithole-Moloi tabled the 2022/23 Provincial Adjustments Estimates Budget at the Legislature in Pietermaritzburg. The budget will ensure that the Provincial Government continues to meet its obligation to deliver services to the people. The MEC was supported by the Head of Department, Ms. Carol Coetzee, Chief Director Mrs Tanya Stielau, DDG: Mrs Neli Shezi, and Director, Ms. Nomthi Mjuza. The MEC was congratulated by her colleagues and MPL's after successfully delivering the budget speech.

GALLERY: PROVINCIAL CONTRACT MANAGEMENT WORKSHOP, SCM



National Treasury and KZN Treasury hosted a Transversal Contract Management Framework workshop. The two day engagement was attended by all provincial organs of state, these include officials working in SCM Contract Management Units in departments, public entities, municipalities and municipal entities. The purpose of the workshop was to share knowledge on the new ETenders Enhancements System. The new portal enables efficiency and transparency. Officials were able to engage National Treasury on the usage of the system and raised potential risk areas.