

**BUDGET VOTE 6 DELIVERED BY  
THE HONOURABLE MEC FOR FINANCE NOMUSA DUBE-NCUBE  
05 MAY 2022**

Honourable Speaker  
Deputy Speaker  
Members of the Provincial Legislature  
Mayors and Councillors of Local Government  
Traditional and Religious Sectors  
Director General and Heads of Departments  
Distinguished Guests  
The people of KwaZulu-Natal following us in various media platforms  
Members of the media

## **INTRODUCTION**

**Madam Speaker**, I stand here to deliver the Budget Vote of a Department which should be considered as the central cog to the provincial engine room that provides critical support to provincial and local government in mobilising funds and ensuring a well-oiled public service machinery that is accountable to its people.

The past few years' challenges have truly tested the machinery of the provincial government and I wish to agree with the sentiments of the Premier of our Province Hon Sihle Zikalala, calling for improved collaboration and strengthened coordination through the effective implementation of the district delivery model and complete elimination of the silos prevalent across the state and even within departments. Simply put, our people require decent, reliable services at an affordable rate and our businesses that drive economic growth and stimulate jobs, require effective infrastructure that supports economic activity supported by stable and consistent policies driven by a transparent and ethical state.

As I rise to deliver this Budget Vote, we are crystal clear on the multiple challenges we face as a province and a country and simply cannot continue to apply the same practices in service delivery if we are to achieve a different result. Albert Einstein said "The definition of insanity is doing the same thing over and expecting a different result".

Given the fiscal constraints we have faced historically and going forward, we must use our resources more prudently for service delivery, economic growth, and job creation. We need to look at alternative service delivery and funding models which support and stimulate transformational growth in the key sectors of the province. The provincial government spend is a significant contributor to the provincial GDP and should be directed to ensure the greatest impact both on social and economic sectors.

The provincial economy is not an island on its own and the many various external local and global imperatives, including, but not limited to the prolonged Ukraine-Russia War uncertainty and the outbreak of a new strain of the Omicron variant have a major impact on our recovery strategies. The resultant impact of these various factors has deepened our socio-economic triple challenges of inequality, poverty and unemployment that are dominant in our province. The latest figures of the Stats SA's Quarterly Labour Force Survey indicated that the official unemployment rate stood at 35,3% in the fourth quarter of 2021 which clearly demonstrates the lasting effects of these global challenges.

22 days ago, the province was ravaged by the recent floods, which was declared a National Disaster by our President. These floods have exposed once more the inequality in our society and further widening the gap of the poorest of the poor. The floods have exposed the abject poverty in which our people are locked into (living in unsafe areas and now cut off from basic services) and subsequent damages to business are simply worsening the levels of unemployment. Our communities have been bombarded with too many societal ills which begin to destroy the hopes and dreams of our people and we are seeing the heightened desperation and anger in various forms which is a matter that simply cannot be ignored as is it a ticking time bomb.

As Provincial Treasury, we need to ensure that we are positioned to mobilise funds aligned to the societal needs whilst ensuring a balance of funding to stimulate economic activities. Each Rand we allocate must attract investment, stimulate the economy through provision of much needed infrastructure, transform and broaden participation of women and youth in the critical sectors and ensure that it is delivered in an effective and effective manner through full accountability and enhanced governance. Work opportunities and prosperity bring peace. Peace and social cohesion are key to enhancing business confidence and improving the attractiveness of the province for investment. As Provincial Treasury we will ensure that we play our part to drive the much needed change our people deserve.

## **COMPLIANCE**

Compliance, for many years has been perceived as a mere tick box exercise, whereas compliance is where an organisation has the processes and internal controls to meet the requirements imposed by governmental mandates and internal policies. Simple controls, if not effectively implemented, can have a catastrophic impact on service delivery ability of a department. Ineffective business processes, similarly can lead to delays in critical services and ultimate unspent funding or ineffective spending.

Supply Chain management (SCM) is possibly considered one of the key enabling business process in government and therefore we are accelerating compliance with all SCM prescripts in provincial departments, municipalities and public entities. This will be a focal area to support continued enforcement of compliance and enhance the link to effective delivery mechanisms and financial management reforms.

Madame Speaker, while our oversight role and model to monitor the spending and revenue collection remains critical, it would be a remiss if Provincial Treasury fails to support departments in ensuring that they support vulnerable groups in their procurement spend. Government has to use its buying power to achieve the economies of scales thus leveraging more savings where procuring goods and services are concerned for more money to be directed at service delivery.

I am saying this having borne in mind the recently-issued Provincial and National Treasury Guide pertaining to the Preferential Procurement Policy Framework Act (PPPFA) following a Constitutional Court Judgement against the procurement regulations in the PPPFA 2017.

Madame Speaker, our Provincial Departments will be assisted with this guide as it is in our best interest that service delivery is not adversely affected whilst at the same time not regressing on the strides made in empowerment procurement spend.

## **PARTNERSHIPS**

Madame Speaker; we are cognizant of our developmental role as Provincial Treasury in assisting and developing small businesses while harnessing their full potential. That is why more emphasis has been placed on looking after their interest, including but not limited to assisting them with their compliance Treasury obligations like keeping them on the Central Suppliers Database and to ensure the BEE complaint status.

However, these are not sufficient if campaigns like the Financial Literacy still lag behind. We are reviving this campaign. These are the types of partnerships we should nurture while bringing close to small businesses bodies like ABASA, SAICA, the AG, banks, Business Chambers and training programmes. In the last financial year, we had MTN SA and Vodacom as partners in some of our events. During this financial year, we want to strengthen our reach to stakeholders so that our task as government is enhanced and complemented by the private sector and professionals outside government for the benefit of our communities.

We intend to partner with various academic institutions, professional and independent think tank bodies to advance our economic and public policy research by participating in academic conferences and workshops. We shall do so by conducting various research outputs including a project on revenue generation from the construction of network mast towers at schools by telecommunication service providers, to the undersea cable network providers in order to get trillions of dollars from renting our sea shores and yet do not even make meaningful investments or even skilling the people of KwaZulu-Natal.

Our partnership will be extended to our sister departments in the Province to conduct risk-based audits with specific focus on good governance. These efforts will assist Departments to determine process enhancements to improve the adequacy and effectiveness of controls.

It may be common cause, but Provincial Treasury must have a healthy relationship with all Members of the Executive Council, their Departments, Public Entities and Municipalities in order to build trust, to understand their immediate needs and construct appropriate remedies or solutions to each unique challenge being encountered. Frank, honest and difficult conversations must be held if we want to see the much needed change in this province.

In order to support provincial government during this critical time of the disasters, we offered our services to pre-assess all major contracts over the value of R1m and will redirect the internal and performance audits for the year to minimise the associated risks and ensure budgets are spent astutely and that there is a value derived from every rand spent on recovering from this disaster. We have engaged with the Auditor-General and together we will strengthen the assurance given to the public that public funds will be fully accounted.

Following His Excellency President Cyril Ramaphosa's declaration of a National Disaster we have heightened our collaboration with the Office of the Premier and the National and Provincial Departments of Co-operative Governance and Traditional Affairs (CoGTA) Disaster management team, in order to guide and support in the drive to relieve the affected communities.

The House will recall that this province allocated R300 million to the Provincial Economic Recovery Fund, and these funds were allocated over the past two years. Projects that were supported included the livestock (beef and goat) intervention, as well as the food security programme as agriculture was identified as a key sector to achieving economic recovery. Other projects supported were the informal economy infrastructure development and Operation Vula to support and promote local economic development and local small scale industries.

In recognising the need for provincial government to take decisive steps to make a meaningful impact on the provincial economy as part of the Provincial Economic Recovery Plan, significant additional resources were ploughed into programmes such as Operation Vula, with many applications being received in this regard. This programme provides grant funding in respect of the establishment and promotion of sustainable enterprises, which includes SMMEs and co-operatives. Support is provided in areas such as manufacturing, the establishment of shared production facilities, tourism and economic infrastructure development and job creation, with a focus on providing skills and business opportunities at a local level. These are some of the examples of the efforts made toward our economic recovery.

In line with the Cabinet Lekgotla resolution, all departments were required to show that they have provided dedicated funding in their 2022/23 budget for EPWP employment opportunities. This information is provided in the *Estimates of Provincial Revenue and Expenditure* under the key assumptions section of each Vote. In aggregate, the province will spend some R1.3 billion to employ at least 63 533 people using EPWP principles thus supporting job creation in this province.

## **Achievements**

In my Budget Speech last year, a number of commitments were made and I wish to now account for the achievement of the Department in the past year.

### **Operational clean audit**

Operational clean audit must and still remains our number one focus. The continued implementation of the province wide operation clean audit programme has had an overall improvement in the provincial PFMA audit outcomes, whereby five auditees improved their audit opinion whilst one department regressed. The audit results for the 2021/22 FY reflected that 5 departments and 13 public entities achieved clean audits, 7 departments and 5 entities received unqualified audit reports, while 3 departments received qualified audit reports. The improvement of the effectiveness of financial management in the province remains a priority towards the attainment of improved audit outcomes and is a culmination of the efforts of all business units within Provincial Treasury working towards a common outcome.

Audit Improvement plans of all departments were reviewed together with reviews of key financial accounts and processes; with recommendation provided to all departments for further improvements in financial controls. In order to ensure long term sustainability of audit improvements and process efficiencies, the provincial risk management and combined assurance frameworks were approved by the provincial executive council during the 2021/22 financial year. The two frameworks are envisaged to improve risk management and internal control processes of all departments once implemented. Implementation of these frameworks will be guided by the internal control gaps analysis that was performed, in all departments, during the previous financial year, some of the gaps identified were inadequate capacitation of internal control units of all departments. With regard to business processes re-engineering, the focus was placed on improving internal control processes at identified Departments with the emphasis being on the qualification items contained in the audit reports.

At a local government level the 2020/21 municipal audit outcomes reflected the hard work and dedication of the Provincial Treasury officials who assisted municipalities improve on their audit outcomes with 8 improved audit outcomes (32 municipalities with unqualified audit reports) and 2 regressions (15 municipalities with qualified audit reports), 45 municipalities remain unchanged during the year.

Specific interventions were implemented in uMdoni Local Municipality, Zululand District Municipality, Big Five Hlabisa Local Municipality and the uBuhlebezwe Local Municipality where their audit outcomes shifted from qualified to an unqualified audit opinion.

### **Elimination of fraud and corruption**

Linked to the improvement of financial management was the need to review the financial disclosure framework to compel all officials in provincial government to disclose their financial interest irrespective of their ranks or responsibility. Unfortunately, DPSA has the authority to make this determination and has guided departments on the levels which should disclose including all SCM officials. However Provincial Treasury has undertaken bi-annual reviews of the provincial and municipal employees who match on the Central Supplier System (i.e. employees who could potentially be undertaking work with the state) as a preventative measure for the respective accounting officers and SCM managers who can therefore avoid awarding contracts to state employees.

Provincial Treasury has worked closely with the Integrity Management Unit at Office of the Premier, and has conducted ethics risks assessments across various departments. These reviews have been conducted in consultation with the Provincial Integrity Management Committee, with regular feedback and progress reports being provided to the Committee to ensure that the work conducted by Provincial Treasury supports the initiatives of Office of the Premier around managing ethics and fraud-related risks.

In order to take effective steps towards the elimination of fraud and corruption in government, fraud prevention plans of all departments were reviewed with fraud prevention improvement plans monitored and tracked on a quarterly basis. Ethics and corruption risk registers were developed for seven provincial departments, with the plan to complete the remaining departments during the 2022/23 financial year.

Working with professional bodies and recognized accounting organizations in pursuit of clean governance and financial management within both government and the private sector. It is through the vigilance and maintenance of professional standards and integrity that we will instill integrity and ethical values in our officials and thereby reduce unethical and fraudulent behavior whilst encouraging the exposure of corrupt officials.

### **Supply Chain Management**

Our commitment to ensure that public procurement is used to *quicken the tempo to ensure economic recovery and job creation* has shown results in a shift of the % of government procurement spent allocated to designated groups. At the conclusion of the 21/22 financial year, the preliminary unaudited figures show a total of R 24.62 billion was spent on goods and services.

Of this total, 55.86 % was spent on black owned companies, as per the PPPFA definition of black, 46.35% was spent on women owned companies, 18.57% was spent on youth owned companies, 0.64% was spent on disabled companies and .57% was spent on military veterans. This is clearly indicative of government spend being directed towards the targeted groups. (source: National Treasury BAS and CSD report). This has been as a result of the assessments undertaken by the provincial treasury on the spend analysis as well as a review of specific bids to ensure that pre-qualification criteria and subcontracting has taken place.

The review of SCM components in provincial departments was undertaken and the shortcomings which included lack of capacity (high vacancies); inappropriate qualifications and skills; poor contract management and internal control weaknesses has informed the support interventions including various training initiatives at all levels within SCM units across provincial departments.

The impact of **COVID** continued into the 2021/22 year and provincial treasury provided statistics relating to the provincial Covid-19 response and these reports were submitted to National Treasury. A full spend analysis was also performed for all covid related procurement. All suppliers, directors of companies and the various demographics were made available to the general public to enhance the transparency of procurement awards made at a provincial level.

In respect of operation “**Pay-On-Time**”, a dedicated “Operation Pay-On-Time” team was implemented to ensure that support is given to SMMES in particular with resolving payment disputes. In the previous financial year, the team were able to resolve payments totalling R34,3m to 143 SMMES.

As reported last year our shift towards assessing value for money where the main objective of the audit is to determine whether or not, there was economic procurement and effective use and whether value for money was realised. This resulted in a number of performance audits being undertaken to assess the effective, efficient and economical procurement and spending or use of the resources (both financial and human capital) with the main focus being on the procurement and use of consultants particularly in the Department of Public Works as an implementing agent for Departments. An analysis was also undertaken of agricultural equipment utilised and whether it is being utilised for the intended purpose.

### **Monitoring and Evaluation capacity**

We have made some inroads in enhancing our Departmental monitoring and evaluation capacity through the finalisation of the recruitment processes of the two posts who will be undertaking impact assessment reports on the financial management support initiatives that the Treasury has undertaken at our various stakeholders. This function is critical to ensure alignment with the current national planning framework wherein service delivery must be measured not only in terms of outputs but through the measureable impact on the financial management of our various stakeholders at provincial and local government spheres.

## **Budget and fiscal management**

- Whilst the cash reserves are not at the level of prior years as a result of the budget cuts and departmental spending pressures, we have maintained a favourable provincial cash position and generated much needed revenue for the provincial fiscus through interest earned on cash balances;
- Assistance has been provided to Departments, Public Entities and Municipalities to unlock stagnant infrastructure projects where we deployed the Infrastructure Crack Team in departments with work being done with the Department of Health in the delivery of clinics, and with the Department of Education in the delivery of sanitation at schools;

In 2021/22, the focus in terms of **revenue enhancement** was on the Department of Education with regard to optimising their revenue collection from staff debts. In this regard, the department was urged to ensure that they collect as much revenue as possible from this source, and to simultaneously put in place controls so that the staff debts do not escalate in future. In this regard, the department collected R157m which resulted in a preliminary over-collection of R43.4 million.

**Contingency reserve** - as was highlighted when the budget for the province was tabled in the House in March, the province continues to budget for a Contingency Reserve. This assists the province to respond in-year to any unforeseen expenditure pressures when they arise. These funds can then be allocated in the Adjustments Budget process in November 2022.

## **2. SERVICE DELIVERY COMMITMENTS FOR 2022/23 PER PROGRAMME**

**Madam Speaker**, allow me to now deal specifically with Treasury's commitments for the 2022/23 year in terms of our primary service delivery objectives and funding of each of Provincial Treasury's programmes for the coming year.

Full details are contained under Vote 6 of the Estimates of Provincial Revenue and Expenditure (EPRE) and in the Annual Performance Plan of the department.

The baseline of the department has increased by R31 million, from R653.845 million in 2021/22 to R684.109 million in 2022/23 relating mainly to an inflation adjustment. Madam Speaker, the department has a record of underspending and ended the 2022/23 with preliminary unaudited results of 91% spend with 50% of the underspend relating to Compensation of Employees.

Madam Speaker we are currently on a full recruitment drive of over 89 posts in the department planned to be filled within the first six months of the year.



Further to this, monthly budget meetings will be held with the senior management team to closely monitor and track the spend of the department in order to reprioritise or decrease underspending timeously and avoid underspending given the ever increasing needs of our communities.

## **2.1 Revenue**

The Departmental receipts declined significantly from R414.271 million in 2021/2022 to R295.886 million reflecting a 28.5% decrease. The bulk of Provincial Treasury's revenue is the interest earned from the cash reserve held in the provincial bank accounts.

To maximise interest, withdrawals from this account are made only linked to the provincial cash flow requirements which is closely monitored. The decline in revenue is because of previous years' budget cuts which meant that there were lower cash reserves to invest.

The Department has formed part of the national team who are collaborating to ensure comparability with other provinces in terms of Department of Transport licensing fees and therefore KZN, maintained lower increases in order to move towards a "unified" fee.

Madam Speaker, with the shrinking fiscus, there is a need to identify alternative revenue streams to ensure that additional revenue is collected including the review of the existing service rates and taxes in the province in order to enhance the resources available for infrastructure rebuild of the province. In this regard we have submitted the Gaming and Betting Tax Bill to the Provincial Legislature, and this is currently under public consultation. Alternative funding mechanisms specifically for local government infrastructure, including private sector partnerships are being explored for long term infrastructure programmes and will be presented for consideration by the Provincial Executive Council.

Provincial Treasury has set itself a task in 2022/23 of optimising revenue collection from telecommunication towers that are placed on government properties. Further revenue enhancement strategies will be developed for implementation in future years so that we enhance our revenue collection as this can become a vital source for providing funding for important government priorities.

## **3. EXPENDITURE PER PROGRAMME**

### **3.1 PROGRAMME 1: ADMINISTRATION BUDGET OF R225.548 MILLION**

The programmes sees an increase of 6% in the allocation related to inflationary adjustments.

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

**Madam Speaker**, the origin of Masisukuma Sakhe, which is the motto on the crest of the provincial government of KwaZulu-Natal, is taken from Prophet Nehemiah 2:18, where he yearns to rebuild a city that has been destroyed. “Operation Sukuma Sakhe” (stand up and build) is therefore a call for the people of KwaZulu-Natal to overcome the issues facing communities such as poverty, unemployment, crime, substance abuse, HIV and tuberculosis.

The district delivery model drives co-ordinated planning of the three spheres of government not only at a district level but geo spatially at a ward level- this will certainly eliminate the silo planning of government. This will enhance the services received by communities through effectively delivery thereof. As a Province, we continue to feel the socio-economic effects of the COVID-19 Pandemic on our people. The situation has been exacerbated by the devastation of the recent floods which has deepened the socio-economic challenges. The war-room engagements at grass-root levels aim to ensure that provincial government services are co-ordinated to bring comprehensive solutions to vulnerable households.

Intergovernmental relationships are critical to remain relevant and responsive to our stakeholders- as Provincial Treasury we have established various forums such as the provincial and municipal CFO forums where best practices are shared to enhance financial management throughout the province.

**Madam Speaker**, we witnessed our Province being battered by torrential rains and saw first-hand, the pain, suffering and losses within our communities which has renewed the need for community outreach and social responsibility programmes now more than ever before. District Champions have been requested to identify three targeted priorities for the district for implementation by all stakeholders as part of the Lekgotla resolutions. Our support will focus on uplifting learners through provision of uniforms and learning materials to those areas hardest hit by the devastating floods as well as identification of Gender-Based Violence victims in a specific district who will be empowered and supported. Private sector partnerships and leveraging on their resources will be explored to enhance our impact as a department given our own limitations.

It is a sad reality that our women and children are still subject of gender based violence and femicide. This department has developed plans for both internal and external beneficiaries as its response to this scourge. Amongst these are empowerment sessions on sexual harassment and other forms of violence, identification of victims, and provision of support to the identified victims within our department.

We will also continue to focus on financial literacy programmes for the youth and women beneficiaries of the various public sector funded initiatives e.g. Operation Vula beneficiaries to strengthen their basic financial skills to enhance the sustainability of their businesses.

A full recruitment drive is being undertaken to ensure that 97 critically approved vacant posts are filled within the first 6 months of the financial year (8 have been finalised to date) to further enhance the service offering to our departments, entities and municipalities. This will also see a shift from the use of consultants to a solid in-house capability. This will also provide an opportunity to ensure gender balance at senior management level in terms of female representation with the appointment of a female HOD as bearing testimony to my commitment in gender equity at the most senior level. We wish to welcome our ever-energetic HOD who has increased the momentum of the capacity of the Department to deliver.

Further to ensure a capable state, we will comply with the requirement that all Departments ensure that their officials attend the designated compulsory programmes through the National School of Governance and Provincial Public Service Training Academy. In addition, we will ensure that the generic compulsory indicators for vulnerable groups that will be developed by the Office of the Premier have been incorporated into the performance agreements for Accounting Officers and senior managers including the critical role officials play in Operation Masisukuma Sakhe.

### **Embracing 4<sup>th</sup> Industrial Revolution to improve Service Delivery**

The Cabinet resolve that the impact of COVID-19 necessitated that the Government operations have amplified the urgent need to digitize all government operations, service delivery systems, and communication systems. In this regard the Department has developed an ICT Digital Transformation Strategy which is aligned to the provincial ICT Goals and Strategies and includes initiatives such as Modernizing IT Equipment, AI and Block Chain, Improving Processes through automation, focussing on Cyber security and shifting to Cloud Services.

The department has identified a number of business processes that will be automated during the course of this financial year in order to enhance its operations. One of them is the automation of a compliance and monitoring function on municipalities which will improve governance and reporting capabilities to direct timely interventions.

Another focus area is the implementation of an e-learning portal to assist with the training of departments and municipalities. The portal will allow for the development of specific subject content. The level of training and knowledge given at institutions will be tracked on various subject matters. The tool will facilitate the empowerment of institutions on internal control and risk management as well as supply chain management subjects. The department will also work at ensuring that Provincial Treasury is compliant with the Generic Structure as prescribed.

Data Analytics for continuous auditing will allow our auditors to track and classify audit issues and resolutions. The current Audit tool will be upgraded and cloud-enabled to enhance its efficacy.

### **3.2 PROGRAMME 2: SUSTAINABLE RESOURCE MANAGEMENT BUDGET OF R53.346 MILLION**

The programme sees a nominal decrease of 0,03% in the allocation primarily due to the budget cuts implemented in the previous budget process which remain in the department's baseline.

One of the main functions of the Public Finance unit, which falls under this programme, is to prepare the provincial budget and the adjusted budget for the province. It remains an important focus area that these budget processes are run in conjunction with all 14 departments and 15 public entities. Provincial Treasury does not prepare the provincial budget in isolation, but follows a consultative process with engagement on inputs from all departments and public entities in order to ensure a credible budget allocation. The main budget for the province was tabled in this House on 9 March 2022 and was the culmination of months of work undertaken together with the departments and with the National Treasury and national sector departments. As prescribed by the PFMA, an Adjustments Budget will be tabled later in the year with the tabling date planned for November 2022.

Over the past two years, the unit has mastered their responsiveness to the ever changing needs and natural disasters facing the province and this is highlighted by the action that has already been taken to determine the appropriate budget reprioritisation which can be undertaken to provide for urgent repairs needed as a result of the recent devastating floods that have caused such hardship in our province. Guidance was immediately issued to all departments informing them of what reprioritisation can be undertaken while the province awaits a disaster allocation from National Treasury. There is constant engagement with various departments and National Treasury to front load cash tranches and for larger allocations to be made earlier in the year to allow for the disaster repairs to be responded to immediately. This unit will also be preparing monthly reports on "flood disaster" related spending against reprioritised budgets.

All budget reprioritisations in response to the disaster repairs, as well as any disaster allocation to be received from National Treasury, will be formalised in the Adjustments Budget process in November this year. All budget reprioritisation to be undertaken will be vetted and checked by the Public Finance unit so that all virements are within the parameters of the PFMA.

The Public Finance unit plays another critical role of oversight of spending against budget by the province as an early warning mechanism for prudent fiscal management. This is achieved through monthly reports as mandated by the PFMA, but also by more detailed quarterly reports which are used to also keep the Members of this House informed of the provincial spending patterns and to aid their oversight in this regard. Similarly, the Provincial Executive Council is informed in terms of the provincial spending patterns, thus allowing for immediate corrective action to be undertaken as and when required.

KZN was the first province to initiate cost-cutting measures, with National Treasury only issuing theirs a number of years thereafter. These measures are re-issued at the beginning of every year and are also contained in the *Estimates of Provincial Revenue and Expenditure*. These measures are more important now than ever, considering the fiscal consolidation stance taken by National Treasury and will certainly help us to make sure that *Each Rand Goes an Extra Mile*. The unit will continue to monitor adherence by departments and public entities to the provincial cost-cutting measures. Through this, we are able to reduce wastage and thus ensure that more funds can be directed to important service delivery areas.

We will continue to strive to ensure that departments and public entities comply with the PFMA and Treasury Regulations, as well as Treasury Circulars, Instruction Notes and Directives through our various support programmes but must highlight the critical role that accounting officers and accounting authorities play in ensuring that government finances are spent efficiently effectively and economically.

### **Infrastructure and Economic Analysis**

The Infrastructure and IDMS teams will continue to engage National Treasury and ensure that all provincial departments, maximise their investment in public sector infrastructure and maximise their infrastructure allocations.

The Departments of Health and Education have an opportunity of accessing additional financial incentives to the baselines by submitting planning documents and performance reports that meet the minimum requirements as outlined in the guidelines for the performance-based system. The financial incentives are ring-fenced within the baselines of the Education Infrastructure Grant (EIG) and the Health Facility Revitalisation Grant (HFRG). To qualify for the incentive allocation, a department must attain an overall minimum score of 60%. Both the Departments of Education and Health have received this incentive allocation since it started in 2015/16. For 2022/23, the Department of Health achieved a total score of 92% and received an amount of R42.8 million. The Department of Education achieved an overall score of 83% and received an amount of R105 million.

It is against this background of effective support to government institutions in the implementation of infrastructure programmes and projects that the IDMS team, in partnership with COGTA's infrastructure team, has been mandated to support the Water Services Authorities (WSA) in the province with the effective and efficient planning, budgeting and implementation of water projects to ensure all sustainable water service delivery opportunities are explored and evaluated, with the objective that water supply is accessible to all households in the province in terms of the Department of Human Settlements, Water and Sanitation norms and standards.

The Estimates of Capital Expenditure (ECE), tabled in the House on provincial budget day on 9 March 2022, lists all infrastructure projects per department that will be rolled out this year and over the Medium-Term Expenditure Framework (MTEF). This publication is instrumental in effective oversight in terms of infrastructure delivery in our province. It also empowers Members of this House to play an oversight role at project level.

The President in his visit to the Province at the onset of the floods, requested the study of insuring key government infrastructure against natural disasters, as a means to mitigate the reliance on the national contingency reserve and on the government fiscus given the ongoing restraints we face as a country. We have taken up this task and will undertake research to establish the financial and legislative opportunities

Economic analysis focuses on the analysis of possible factors contributing to the continuous decline in the funding for Educational school nutrition programme in KZN. A further study is currently underway on the assessment of value for money on infrastructure spending in KZN, particularly on education infrastructure.

The findings and the recommendations of these studies will be published once they have been discussed with various stakeholders, including the Department of Education and the Provincial Executive Council. In 2022/23, the Economic Analysis unit will focus on identifying revenue enhancement in the province.

### **3.2.3 Public, Private Partnerships (PPP)**

The PPP Unit will be delving into various areas to strengthen infrastructure delivery in the province. Strong infrastructure investment is part of government's planned economic stimulus (as well as its economic and social objectives), with the capital expenditure driven by both the private and public sectors, and in combination with each other.

Only through sustained economic growth can South Africa create enough jobs to reduce poverty and inequality, enabling us to reach our goal of a better life for all. The Economic Reconstruction and Recovery Programme (ERRP) remains essential for growth. At a national level, government is accelerating the implementation of critical structural reforms contained in the ERRP in particular, in electricity, rail, ports and telecommunications.

To compliment these interventions, the KZN Provincial Treasury PPP unit will be looking into methods of accelerating infrastructure investment, as this is the backbone of a thriving economy. The focus will be, in particular, in electricity, water and sanitation and other modes of service delivery.

In this regard, the global shift towards reducing energy consumption and carbon emissions has driven municipalities to explore their role in this energy transition. The Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) is aimed at bringing additional power into the electricity system through private sector investment in onshore wind, photovoltaic, concentrated solar power (CSP), biomass, landfill gas and small hydro technologies. The REIPPPP programme constitutes one of the energy mixes as outlined in the National Development Plan and the Integrated Resource Plan 2010. The PPP unit will work with the eThekweni Metro and the uThukela District Municipality to pilot this programme in this province.

Whilst the financial impact assessment of the recent floods in the province has not been finalised, it is likely that the infrastructure repairs and rehabilitation will put a significant financial strain on an already tight fiscal position in the province, depending on the amount to be allocated to the province from national disaster funding resources. National Treasury aims to create a centre of excellence for PPPs and other blended finance projects which will have a direct interface with private financial institutions for investment in critical government infrastructure programmes. This approach will include innovative financing and delivery mechanisms, as announced by the President in the State of the Nation Address. The PPP unit will thus work with National Treasury in pursuit of this approach, focusing on investment in the water and sanitation sectors, and specifically in the district municipalities that were hardest hit by the recent disaster.

As PPPs are another form of procurement, we will continue to focus on the implementation of the PPPFA towards achieving economic transformation.

### **3.3 PROGRAMME 3: FINANCIAL GOVERNANCE – BUDGET OF R203.670 MILLION**

The increase of 1.8% is an inflationary increase to cater for a cost of living adjustments across the programme.

The main purpose of this Programme is to ensure that all the financial management systems and processes utilised in the province lend themselves to the effective and efficient management of the province's resources. The issuing and monitoring of provincial directives and norms and standards are pivotal in practising transparent and sound financial management.

The management of assets and liabilities is key to assisting departments to improve their cash flows by monitoring bank balances in order to ensure optimal cash balances in the province in order to maximise our interest earned on cash resources. Liability management has a significant impact on accurate expenditure reporting by departments and limiting fruitless and wasteful expenditure due to late payments.

Due to the strategic importance thereof, the team will focus on supporting departments with effective PAYE management, clearing of suspense and interdepartmental accounts given the potential impact these accounts could have on provincial spending.

The Department will continue to play a significant role in the implementation of the province-wide, multi-level PFMA Audit Readiness Financial Management Support Plan that has been developed, in collaboration with the Office of the Premier, to achieve the objective of improving audit outcomes of Departments and Public Entities and the achievement of 90% unqualified audit outcomes by 2024. The following targeted projects and initiatives have been identified in order to achieve the outcome outlined above by 2024:

- Provision of specialist financial and asset management support to Departments and Public Entities to enhance financial management skills and capabilities and ensure audit readiness;
- Provision of technical support and financial management training to strengthen capacity of officials at Departments and Public Entities on financial reporting standards;
- Support to Departments and Public Entities in the preparation of interim financial statements with the objective of improving the availability of quality supporting documentation to support the financial statements and management information;
- Monitor compliance with month-end closure procedures and submission of Interim and Annual Financial Statements.

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

- Inter-Departmental Debt Management: Assistance to Departments with the reconciliation of Inter-Departmental Accounts with significant reduction in account balances. This is key as it impacts directly on the actual expenditure reported by Departments.
- Preparation of annual financial statements of the Provincial Revenue Fund and consolidation of annual financial statements of Departments and Public Entities. The twelfth consecutive clean audit of the Provincial Revenue Fund bear testimony to our commitment and adherence to sound financial management prescripts.
- Oversee the SAICA three-year Trainee Accountant programme, to ensure the continued accreditation of Provincial Treasury as a training office. The impact of our SAICA Trainee Accountant Programme in changing the lives of youth in a financial management Sector is encouraging. Since its inception, the Trainee Accountant Programme has benefited 19 trainees from the Province of KwaZulu-Natal and produced six (06) CAs, four (04) trainees eligible for registration as CAs, and a further one trainees awaiting APC (final qualifying exam) results. These trainees have been placed within various directorates under the Management Development Programme.



Below is a narrative from one of the KZN youth who benefited from our SAICA programme and is currently a Deputy Director on contract in the management programme aiming at fast tracking young talent in the Department.

### **Human Interest Stories**

- *I completed my studies in 2018, and I got accepted by the Trainee Accountant Programme (TAP) at KZN Provincial Treasury in 2019. As part of the TAP programme, I was rotated to various directorates within Treasury where I received incredible and extensive training as well as exposure to various workplace experience that was new to me. During my training contract, I was afforded an opportunity to work with various departments and municipalities where I met many experienced people who were willing to train me and give me valuable workplace experience.*
- *Furthermore, I was afforded an opportunity to write all my board exams to become a qualified Chartered Accountant. I also obtained all the required core hours and competencies to be eligible to register as a CA (SA) with SAICA within the three years of training. I received adequate on-the-job training and mentorship. As such, today, I am confident that I can work in any sphere of government and bring the much needed value as far as financial management and clean governance are concerned.*
- *Being part of the TAP programme has changed my life immensely. It gave me the opportunity to fulfil my childhood dream of becoming a Chartered Accountant, the first CA in my family, and one of the few in my community. My success throughout my training has encouraged many other young people after me to also pursue their studies, both in the CA field and in other fields of studies. This is because, irrespective of an individual's background, it is evident that we can all achieve the goals we set for ourselves if we have the right resources and opportunities within our reach, such as the KZN Treasury TAP programme.*

*Thabile Dlamini, Eligible CA(SA)*

Madam Speaker, as I indicated earlier, whilst strides have been made in reducing the current Irregular expenditure, we remain with significant balances in our accounts. The team will continue to assist with the reduction of irregular expenditure through a process of condonation in compliance with Instruction Note No. 2 of 2019/2020.

However, the key challenge remains the non-compliance by Accounting Officer in adhering to the Irregular Expenditure Framework. In order to address this challenge, one-one-one engagements will be held with Accounting Officers and CFOs to fast-track the outstanding matters. The quarterly meetings held previously by the Condonation committee will now be held monthly in order to ensure that all requests for condonation made by Departments and Public Entities before 31 March 2022 are considered before

submission of the Annual Financial Statements for audit and that the target of 50% as per MTSF targets is achieved.

The condonation requests will continue to be evaluated taking into account the following three critical aspects, which must be demonstrated in the submission made by the relevant Department or Public Entity:

- Type of determination/investigation performed,
- No loss was incurred and value for money was received,
- The remedial action taken, including disciplinary action (Consequence Management).

**Supporting and Interlinked Financial Systems** remains committed to provide optimal protection through the use of the Biometric Access Control System (BACS) to both BAS and Persal transversal systems, thus mitigating any financial loss to the province. The department is in the process of reviewing the current BACS architecture with SITA considering the evolving technologies such as cloud which is affordable within the budget constraints and will result in operational efficiencies.

### **Provincial Supply Chain Management**

The Constitutional case of *Minister of Finance versus Afribusines NPC*, culminated in the Preferential Procurement Regulations being declared invalid in February 2022. This then produced a vacuum with respect to procurement activities, as the National Treasury halted all procurement until clarity pertaining to the way forward was received from the Constitutional Court. The Provincial Treasury has in the interim, guided Departments and entities to access an exemption from National Treasury in order to continue procuring in line with the principles stipulated by the PFMA (Public Finance Management Act, Act 1 of 1999) in order to ensure continued service delivery and efficient budget utilisation.

The Unit continues to monitor progress and maintenance of vetted contract registers at Local Government level which is critical in limiting irregular expenditure as a result of expired contract and unauthorised extensions. For the 21/22 financial year, the Unit conducted 83 reviews. Where municipalities are found lacking, the Unit provides support in updating and compiling specific contract registers in an effort to limit irregular expenditure through effective and timely procurement.

### **3.4 PROGRAMME 4: INTERNAL AUDIT – R 116. 419 MILLION**

As the shared internal audit function to the Provincial Departments, the Internal Audit Unit will provide independent and objective assurance on the adequacy and effectiveness of controls implemented across the various provincial departments.

The three-year annual audit plan based on the strategic risks analysis will be rolled out across all departments in line with the international standards on internal auditing.

Audits on financial processes will remain a priority focus area during the 2023 financial year as they impact directly on the improvement of audit outcomes. Amongst other audit focus areas, the unit will also continue to review Supply Chain Management processes which remain a high risk area in the Province. Included in these audits will be procurement related to the disaster relief efforts. In addition to reviewing compliance to SCM processes, performance audits on infrastructure projects related to the disaster will also be covered to ensure that government received the required value for the funds spent.

It is inevitable, with the onset of 4IR, that government will progress by making investments in technology. The increased dependence on IT increases the level of technology risk that departments will face. This in turn increases the significance of IT auditing. The internal audit unit will therefore continue to monitor the IT risks in the province and review various IT systems and projects to ensure that significant vulnerabilities and weaknesses in IT processes and systems are identified.

The unit had adapted well under the COVID 19 era by adopting robust audit processes to ensure that inevitable disruptions are controlled and the impact on audit work minimised. The internal capacity in the unit remains flexible and responsive to the demands placed on the unit. The Department also remains committed in ensuring that the capacity in the Internal Audit Unit is strengthened by finalising the structure and rolling out the Provincial Internal Audit Framework relating to the hybrid approach that has been adopted by the Province. The unit will support this approach to internal audit by providing technical support, training and other development initiatives, as well monitoring of the hybrid model to departments.

Together with the newly appointed Provincial Audit & Risk Committee in Quarter One, internal audit will monitor the implementation of the recommendations provided to departments to strengthen processes and systems. It is only through the prompt response by Accounting Officers to both Internal Audit and the Auditor-General's recommendations, that there will be any improvements in the effectiveness and efficiencies in processes, and departmental performance, as well as a positive change in audit outcomes in the province. The Provincial Audit & Risk Committee remains a key governance structure in the Province, and will ensure that there is increased feedback and recommendations to the Executive and other oversight bodies. The Committee will work with both internal audit and the Auditor General to co-ordinate audit efforts and ensure adequate audit coverage.

The Internal Audit Unit provides Risk Management and Advisory Services to provincial departments and municipalities, and will be focused on rolling out the revised provincial risk management and combined assurance frameworks, which were approved by the Provincial Executive Council in the 2021/22 financial year. These two frameworks are envisaged to enhance risk management and internal controls of all provincial departments.

All provincial departments and twelve municipalities will be assisted with the development of ethics and corruption risk registers, including the review and updating of their fraud prevention plans which are critical preventative tools.

### **3.5 PROGRAMME 5: MUNICIPAL FINANCIAL MANAGEMENT – R85.126 MILLION**

Provincial Treasury will continue to monitor municipalities through the In-Year-Monitoring (IYM) process to ensure that municipalities continually improve on their reporting. The MFMA Section 71(7) reporting has been enhanced to also include 'Early Warning Systems' identifying those municipalities that are experiencing financial challenges in order to intervene timeously.

The Department is intensifying its support to delegated municipalities that have adopted an unfunded 2021/22 Adjusted Budget with the objective of improving their funding position going forward. The ongoing engagements aim to influence the 2022/23 budgets of municipalities and through formalised feedback, we aim to reduce the number of municipalities that adopt unfunded budgets.

Financial Experts have been deployed to five municipalities (uMkhanyakude, eMadlangeni, uThukela, uMzinyathi and Mpofana) to assist with the improvement of the municipality's financial management environment. The support provided embeds key principles to sustainable financial management which includes improved controls and processes. The impact of the support can therefore only be seen once the recommended improved controls have been implemented by the municipality.

The Municipal Revenue and Debt Management is a new sub-programme and is being phased-in. It is aimed at providing technical support to selected municipalities to assist them in improving revenue and debt management processes and controls. The department is currently in the recruitment process to fill this new position, as well as other vacant positions within the programme.

As part of capacity building for the new Councils, they have undergone intensive training through the Integrated Councillor Induction Programme (ICIP) which has been specifically developed by the South African Local Government Association (SALGA) in conjunction with Department of Cooperative Governance and Traditional Affairs (DCOG), National Treasury (NT), Auditor-General (AG) and National School of Government (NSG) to give councilor the knowledge, skills, attitudes and values to be good representatives of their communities.

Provincial Treasury has provided the training on financial management and budgeting at both the ICIP and Finance Portfolio Committee Councillor Induction programme.

The support to municipalities is a collaborative multifaceted approach based on the various specialist skills of the Provincial Treasury on all aspects including Internal Audit, Risk Management, Supply Chain Management, Public Private Partnership, Financial Reporting, Norms and Standards as well as Infrastructure Management. The support is customised, applying a risk based approach and is dependent on the key focus areas as agreed with the municipality to ensure buy-in and sustainable interventions. Key to this is the transfer of skills via on-the-job training or formal workshops, and we have utilised virtual platforms to enhance our services to municipalities.

In summary, the municipal support for 2022/23 will include the following initiatives: -

- Financial Management support which is a long term initiative to assist municipalities with complex, comprehensive and technical financial accounting matters and audit issues while also embedding the key fundamental principles of financial management. This is aimed at improving key processes and controls, as raised by the AGSA, which ultimately assists the municipality with the preparation of GRAP and MFMA compliant AFS and working papers e.g. reconciliations, registers, etc
- Pre-audit Assessments support is a short term initiative conducted to determine the identified municipalities' audit readiness. This includes reviewing prioritized reconciliations, processes and internal controls, addressing prior audit issues and current audit risks identified.
- Reviewing of Annual Financial Statements (AFS) support is a short to medium term initiative which entails the review and provision of technical guidance and direction on the preparation of Annual Financial Statements and supporting information, where the municipality has prepared the Annual Financial Statements to ensure that they are GRAP and MFMA compliant.

## **CONCLUSION**

**Madame Speaker** and Honourable Members, the total budget for the Provincial Treasury is R684.1 million.

Honourable Members, we have always placed higher premium on our people's lives. The distractions we encounter should not deter nor derail us from our mandate.

The distractions we encounter should not deter nor derail us from our mandate. We are also aware that the people of this province expect nothing from Members of this House other than speed in service delivery. Dare we not be an impediment to their hopes and aspirations.

The African National Congress, a political party I represent in this House, is working tirelessly to ensure that our people taste the fruit of the Freedom we so fought so hard for. We are not about to fail them. We are not about to stand aside and watch their aspiration perish when we have the opportunity to do just and to do right by servicing them.

Honourable Members, this Budget Vote takes place at the time when we are celebrating both the Africa Month and the Worker's Month. These, in my humble opinion, are intertwined since they give meaning to selflessness and compassion.- UBUNTU

Let us face our fears with courage and determination to succeed.

I wish to end by drawing your attention to Tata Nelson Mandela's wise words as we recreate the economic and financial script for our country in order to ensure that we bring our people into the mainstream of the economy.

We need to take heed of Tata Mandela who taught us that: "***courage is not an absence of fear, but the triumph over it. The brave man is not he who does not feel afraid, but he who conquers that fear***". We dare not fail.

I would like to take this opportunity to thank HoD Ms Carol Coetzee for hitting the ground running. I would also like to thank her entire team at Provincial Treasury for their hard work and dedication which is evident in the smooth day-to-day operations and the achievements made over the years by the Department.

**Madam Speaker**, we thank you and pay a special tribute to this house and its members across all political parties who continue to demonstrate their commitment to advance the aspirations of the people of this province. We thank them for their selfless demonstration of humanity during the recent flood disasters. We may not always agree, but it is all gratifying that our common end goal is to better the lives of our people and it is times such as these that we truly demonstrate the coming together of South Africans across the spectrum.

I also want to extend my gratitude to the Chairperson of the Finance Portfolio and the entire committee; the Chairperson of SCOPA and the entire Committee; Members of this House, the Premier, Members of the Provincial Executive Council, my family (for being my life blood) and my organisation the African National Congress for their unwavering support and guidance they have and continue to give me.

I present the Vote 6: Provincial Treasury budget for 2022/23 for consideration by this House.

I thank you.