



Policy and 2012/13 *Budget Speech*

18 May 2012

Government Boulevard,

Riverside Park Ext 2,

Mpumalanga



finance

Department:
Finance

MPUMALANGA PROVINCIAL GOVERNMENT



SPEECH BY MEC FOR FINANCE, MRS YN PHOSA DURING THE OCCASION OF THE TABLING OF POLICY AND BUDGET SPEECH FOR THE DEPARTMENT OF FINANCE IN THE PROVINCIAL LEGISLATURE, RIVERSIDE PARK, NELSPRUIT

18 May 2012

Honourable Speaker and Deputy Speaker
Honourable Premier, Mr D.D Mabuza
Provincial Secretary of the African National Congress, Mr Lucky Ndinisa
Chief Whip of the ruling party, Ms B.T Shongwe
Leader of government business, Mr MSA Masango
Colleagues in the Executive Council
Honourable Members of the Provincial Legislature, Executive Mayors and Members of Mayoral Committees for Finance
Director General, Mr JM Rabodila
Acting Head of Department of Finance, Mr JB Mbatha and other Heads of Departments
Chairpersons and Members of Audit Committees
Senior Management and Chief Financial Officers
Representatives of labour, business, civil society and media
Distinguished Guests
Comrades and friends
Ladies and gentlemen

In May 1933, one of the founding fathers of the African National Congress and the first Treasurer General, Dr Pixley Ka Isaka Seme, told those who lived under different political and socio-economic discourse that the ANC *“has become the new Parliament and the official medium of expression for all Africans”*.

His words heralded an appreciation amongst the great majority of the people of South Africa to find a home in or keep their trust in the ANC-led government to continue improving the quality of lives of our people.

I am greatly honoured to stand before this House which represents the *official medium of expression* of our people to present the priorities and spending plans of the Department of Finance for the financial year 2012/13.

Honourable Speaker,

As we present the policy and budget speech for Vote 3, we are mindful that the global economic outlook remains fragile amid doubts about the strength of the United States recovery, a recession in Europe, and the extent of a slowdown in China and high international oil prices.

The South African economic outlook appears slightly more favourable with a GDP (gross domestic product) growth forecast of 3 per cent for this year.

We expect that Mpumalanga's economy will grow at a slightly lower rate of 2.8 per cent in 2012.

Despite a recovery in job creation nationally and provincially in 2011, Statistics South Africa, in the Quarterly Labour Force Survey, indicated job losses of 75 000 for South Africa and 10 000 for Mpumalanga, in the first quarter of 2012.

The national and provincial unemployment rate also increased to levels of 25.2 and 30.3 per cent respectively, during the same period.

The good news however, is that our province still recorded a net job creation of 36 000 people between the first quarters of 2011 and 2012. This represents a 4.1 per cent year-on-year employment growth, which was much higher than the national rate of 2.3 per cent and also the third highest among the 9 provinces.

Mpumalanga continued to experience a relatively high inflation rate of 6.6 per cent in March 2012. Food and non-alcoholic beverages, housing and utilities, provided strong upward pressure on the average price increases in our province. Inflation is expected to remain outside the inflation target of 6 per cent for the moment, mainly due to persistent pressure from rising food, fuel and administrative prices.

Honourable Speaker,

In June 2009, the Provincial government communicated its programme of action which mirrored the popular mandate of our people. Central to this mandate was an urge to ensure that the government is effective; efficient; transparent; accountable and responsive to the needs of the people.

As we cast our eyes back and reflect on the performance of the Department, in the three years of the administration period, we can boldly state that we have done well. The provincial budgets that we tabled, in successive years broadly represent the wishes of our people as articulated in the Manifesto of the ruling Party.

The confluence of confidence and hope in the ability of our financial systems, to make the government responsive and accountable to our people, is gaining momentum as we strive for an effective and efficient budget management and clean financial governance, every day.

The performance story of the Department of Finance signifies the results of a determined and focused collective leadership and support, which the Executive Council is continuously giving to the department and indeed the financial management offices of many departments in the Province.

This is a story that shows progress in many areas but also challenges that we can overcome with time and dedication to the strategic goals that define our service delivery obligations to the society. We acknowledge though that more can still be done

to ensure that we respond quickly and adequately to the service delivery needs of our people.

Honourable Speaker,

During 2011/12 financial year, we provided training to officials in departments, municipalities and public entities on contract management, asset management and inventory management as well as the public private partnership framework.

A training manual on liabilities management was developed for the purposes of training the officials in departments and municipalities.

We will regularly monitor progress in measuring the effectiveness of these important interventions.

The Provincial government's programmes were supported through availing sufficient funds in accordance with the transfer requirements of departments. This is continuously being done to ensure that departments are able to effectively deliver the budgeted services, pay salaries and adhere to the policy commitment of paying the suppliers of goods and services within 30 days in compliance with Treasury Regulations.

A total of 284 officials in departments, public entities and municipalities received training on Accounting Standards, Annual Financial Statements and relevant legislation during the 2011/12 financial year in order to improve the quality of legislative submissions.

Revenue generation

The Provincial government requires funds to implement numerous policy priorities. There is a need to ensure continued growth of revenue generation in order to meet the increasing demands for services and also to respond to emerging challenges within the society.

The Provincial Treasury has developed a revenue enhancement plan as part of the strategy to assist departments in exploring avenues to raise additional revenue to fund provincial priorities.

The plan covers a range of focus areas namely, Roads Traffic Act Fees, Gambling levies, Hospital Patient fees, Liquor Licences, Disposal of Surplus State-Owned Houses, amongst others.

A task team comprising of 5 Heads of Departments, whose departments contribute to provincial revenue stream, has been established to give effect to the plan. We will report on progress, with regard to the revenue enhancement plan to this house on a regular basis.

Budget reforms

Honourable Speaker,

A critical part of our mandate is to ensure continued improvements in budgeting and implementation of budgets to deliver better and improved services. We have, in response to the commitment of ensuring the responsiveness of the departmental budgets to the provincial priorities, developed an In-Year Monitoring Manual and established four workgroups which will focus on the following:

- Performance of Public Entities;
- Evaluation of Conditional Grant performance;
- Revenue Enhancement Strategy, and
- In-Year Monitoring of financial and non-financial information

These workgroups will assist departments to improve on financial and performance information management.

The Honourable Speaker, in June 2009 we reported that the Mpumalanga Provincial Government spends 11.4 percent of its budget on administrative support programme.

We committed ourselves to progressively reduce this level of expenditure on administration support in all provincial departments to 6 per cent.

I am pleased to report that the expenditure on these programmes has been reduced to an average of 6.6 per cent of the total provincial budget. This means more funding has been channelled to service delivery programmes. The Administration Programmes are progressively being transformed to being well-administered support programme in the Province. Actions such as this will further enhance our ability to deliver the required levels of quality services within our fiscal means.

Infrastructure expenditure

Honourable Speaker,

Continued investment in infrastructure projects must be accompanied by equally effective budgeting and expenditure monitoring and reporting. In addition to gazetting of infrastructure projects, the Provincial government has taken a decision to formalise the appointment of infrastructure grant managers in various departments. This intervention, in addition to continuous monitoring of expenditure by the department and oversight provided by the Budget and Finance Committee, will enhance the ability of the Province to deliver quality infrastructure.

Municipal finance

Working together with the Department of Cooperative Governance and Traditional Affairs, we will provide continuous support to municipalities in the financial administration and asset management disciplines.

The Municipal Finance specialists will continue to accelerate support and transfer skills to the Budget and Treasury units to ensure that the 20 delegated municipalities are assisted to perform their financial management, reporting and control functions at optimal levels.

The Municipal Finance division will also provide hands-on support to municipalities on Section 71 reporting, budget compilation, systems of delegations and new annual reporting requirements.

We will support the Members of the Mayoral Committees for Finance as they discharge the oversight responsibilities on municipal finance as espoused in the financial management prescripts and requirements of related legislations.

Supply chain management

Honourable Speaker,

The Provincial Supply Chain Management conducted workshops to train officials on effective steps to implement the revised regulations on procurement for goods, services and works.

It gives me pleasure to report that since 2010, 75 government employees from across all the provincial departments attended a certificate programme in supply chain management, and that 25 more are currently participating in the same programme. This capacity building initiative will give us a better chance of improving demand and supply management outputs in the province.

The collaborative nature of our work with the Heads of Departments, Select Committee on Public Accounts (SCOPA) and Office of the Auditor General has led to 231 officials and their companies being identified and barred from doing business with our and other structures of government. The list of restricted officials has since been published on department's website and will be updated as and when new cases are uncovered.

Provincial Treasury will continue to enforce the policy directive for rotation and vetting of staff in the supply chain environment with the objective of reducing the chances of collusion, fraud and corruption in the system.

After hard work by the Department's officials, the electronic procurement system is now operational. We will engage more departments to join the rest that have implemented the system as part of the improvements that are being introduced by the provincial supply chain management unit.

Information technology

This budget confirms the centrality of the mandate of the department to provide financial system and information technology support to enable enhanced performance and effective delivery of services.

We have thus set aside R55, 116 million which is 47.5 percent of the total goods and services' budget of the department to manage, enhance and maintain an effective information technology platform supported by efficient network infrastructure.

We have also put aside resources to help enhance the skills of government officials in utilising information technology and transversal system in order to improve service delivery and leverage our substantial investment in technology.

Financial governance

Honourable Speaker,

When we presented the policy and budget speech to this House last year, we indicated that there were improvements in the financial governance as attested by independent audit processes. We pointed out that none of the government departments have received disclaimers and that more attained unqualified audit outcome in 2009/10.

We can proudly report that there has been significant progress in the audit outcomes on financial statements of the provincial government departments for the financial year of 2010/11. The result of the turnaround plan that was initiated in the last financial year is proving to be a worthwhile exercise that already yielded the following results:

- Qualified audit opinions on the financial statements of Departments were reduced by 50 percent;
- One more department (Community Safety, Security and Liaison) joined the Department of Finance in receiving a clean audit for the 2010/11 financial year, and
- The department remains the top performing entity amongst all the nine Provincial Treasuries, with consistent increase in ratings on transparency and accountability in the country, as confirmed by the latest results achieved in qualifying for SAIGA awards.

The progress that has been realised thus far; sets us on a correct path towards realising the objective of clean audits programme; characterised by compliance with the Treasury Regulations, adherence to various administrative legislations and greater awareness and quicker attention to potential risks in the financial administration environment.

During this fiscal year, we will embark on programmes to consolidate the gains already made, while also taking the municipalities and various departments along to achieve the expected progressive target of clean financial and performance audits by 2014.

Our immediate task will be to ensure that departments, public entities and municipalities prepare and subject themselves to audit processes within an appropriately resourced and guided context.

The Department will again facilitate the completion of the Financial Management Capability Maturity Model to assist Departments and Public Entities to identify areas of improvement to work towards Operation Clean Audit goal for 2014.

We will support the departments, public entities and municipalities in the areas of accounting standards, annual financial statements, internal auditing and enterprise risk management in order to improve overall financial governance in the Province.

We will also oversee the implementation of an internal audit toolkit whose aim is to ensure that the Accounting Officers and Audit Committees assist the departments to conform to the expected standards as provided by the Institute of Internal Auditors.

The department will develop the Guidelines to be followed with the merging and/or splitting of departments, to assist with the accounting processes before financial year-end.

The department will also develop the Guidelines and Methodologies on Enterprise Risk Management and Internal Audit, all which will assist the departments, municipalities and public entities to improve in areas of governance.

As indicated in the provincial budget, the department has allocated a total amount of **7 million and 673 thousand rands** to assist section 21 and no-fee schools as well as Non-Governmental Organisations registered with and subsidised by Department of Health and Social Development in the province with bookkeeping and auditing support.

Division of allocations for delivery programmes

Honourable Speaker, allow me to outline the overall proposed allocations for the programmes that make up the mandate of Vote 3, the Department of Finance, for the financial year ending on the 31st March 2013.

Programme 1: Administration receives a proposed total amount of **75 million 116 and thousand rands** to ensure strategic support to the delivery programmes within the Department.

The allocation to **Programme 2: Sustainable Resource Management** increases by 14 percent, taking its budget to **38 million and 630 thousand rands** to promote optimal and effective provincial resource allocation and utilization, efficient provincial budget management, accurate financial reporting on provincial revenue generation and maximization.

A total of **110 million and 545 thousand rands** is proposed to be allocated to **Programme 3: Assets and Liabilities Management** to provide policy direction on supply chain and liabilities management and to facilitate effective and efficient management of provincial physical and financial assets, interlinked system and information technology amongst other responsibilities.

Lastly, we propose that **Programme 4: Financial Governance** receives **31 million and 49 thousand rands** to allow officials to facilitate, monitor, support and provide professional advice on the requirements for financial and non-financial compliance as per prescripts; and to promote accountability within departments, public entities and municipalities.

Honourable Speaker, we remain committed to fostering effective financial oversight, monitoring and quality reporting to enable effective policy interventions in favour of societal development. The ultimate goal is to make sure that this budget impact positively to the lives of our people.

I hereby table a budget of 255 million and 340 thousand rands for Vote 3: Department of Finance for consideration by the Honourable Members of this august House.

Honourable Speaker, let me take this opportunity to extend my gratitude to the African National Congress and the Honourable Premier for entrusting us with the responsibility of managing the provincial finances.

I would also like to thank my colleagues in the Executive Council for continuous cooperation and support of our work as Team Finance.

A word of thanks also goes to the Chairperson and Members of the Portfolio Committee on Legislature Oversight, Premier's Office and Finance for vigorous engagements and critiquing of our work, and by so doing contributing immensely to the successful execution of our mandate.

I would like to acknowledge the Auditor General, Chairperson and members of the Audit committee for their commitment to their profession and continuous sound advice to the Executive Authorities.

To the Acting Head of Department and all officials from Cleaners, Messengers to top management in the Department of Finance, thank you very much for your commitment, enthusiasm in carrying out your work and your support.

I would also like to recognise all our stakeholders for partnering and supporting our social responsibility programmes.

A special word of thanks goes to Bishop V.G Lephoko and Pastor O and other prayer partners for their faithful commitment to God and to prayer for the Department to achieve services of excellence.

Above all, the greatest honour goes to our Lord for giving us strength, the spirit of wisdom and revelation in the knowledge of Him, that the eyes of our understanding be enlightened when we execute our responsibilities on a daily basis.

In conclusion, Ps 90 v 17 says

Let the beauty of the Lord our God be upon us and establish the work of our hands for us; Yes establish the work of our hands.

I thank you.

