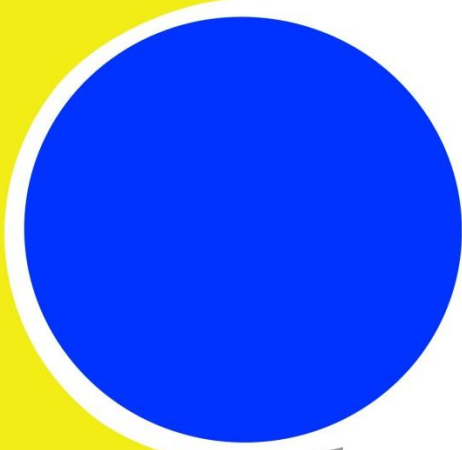




finance

Department:
Finance
MPUMALANGA PROVINCIAL GOVERNMENT

**Policy and budget
speech
by
Madala Masuku (MPL)
MEC for Finance
23 May 2013**



SPEECH BY MEC FOR FINANCE, MR MADALA MASUKU (MPL) ON THE OCCASION OF TABLING OF POLICY AND BUDGET OF THE DEPARTMENT OF FINANCE AT THE MPUMALANGA PROVINCIAL LEGISLATURE

23 MAY 2013

Honourable Speaker
Honourable Premier
Honourable Deputy Speaker
Colleagues in the Executive Council
Honourable Members of the Provincial Legislature
Members of Mayoral Committees for Finance
Provincial Chairperson of SALGA
Representatives of Women in business
Chairperson and Members of Provincial Audit Committee Forum
Distinguished guests
Ladies and gentlemen

Honourable Speaker,

We thank you most profoundly for this opportunity to address our people on the spending plans of the Department of Finance today.

A day after tomorrow, the whole nation will celebrate Africa Day.

This is a Day that symbolises the coming of age of an African community from the concoction of oppression, discrimination and intolerance of diverse opinion of the African majority.

The Economic Commission for Africa and Organisation for Economic Cooperation and Development, in their report titled *“Development effectiveness in Africa”* notes that Africans themselves are taking charge of defining, analysing and meeting the major challenges facing the continent.

These issues range from governance, peace and security to economic and social modernisation, to defeating pandemic diseases—and the roles that women play in all these contexts.

The locus of intellectual work on African problems is in the process of shifting from international institutions and institutes to Africa. These are clear signs of genuinely African ownership of its political and economic development.

Indeed Africa is on the rise.

It is on the rise, propelled by the vision and founding principles agreed 50 years ago, on the 25th May 1963. Principal to these principles is the notion of respect of sovereignty and territorial integrity of each state. Respect for sovereignty and territorial integrity can only be earned through shared progressive values of democracy.

A shared value system is paramount to addressing the triple challenges of poverty, unemployment and equality amongst the African nations today. The experience shows us that development suffers if there is lack of accountability and adherence to democratic values in the African State.

The absence of accountability and inconsistent adherence to democratic rule has all the hallmarks of reversing the legacies of the great freedom fighters that were shaped under difficult times, anchored by the colonial and apartheid rulers.

In fact, the Honourable Premier reminded us in his State of the Province Address that

“We need institutions that are able to account for how public resources are utilised efficiently and effectively to deliver on agreed development outcomes.”

This view underscores the importance of the common agenda that the Southern African countries adopted in 2001. The SADC agenda included the promotion of common political values, systems and other shared values which are transmitted through institutions which are democratic, legitimate and effective.

Review of performance

In my presentation of the provincial appropriation bill on behalf of my colleagues to this august house on 19th March 2013 I shared a story about King Charles, who was executed for corruption.

Since then I was inundated with enquiries why did I use that example in a democracy. Others ask why is it even today in 2013 we still complain about exactly the same behaviour that caused King Charles death during the 1600.

Aristotle in the 1800 explains that the first governments were in fact Kingships.

This came as a result of the fact that when populations were still small and cities likewise, what he called men of eminent value were very few if not a rare species and when they were found they were made kings.

So when more men of equal merits arose as part of development of the society, crisis emerged. Such a crop of men felt denied of their birth right entitlement then set up a constitution and establish common wealth platform that provide an equal share of status in the society.

In this way a ruling class emerged that soon deteriorated and enriched themselves out of the public treasury, riches became the path to honour and oligarchies emerged and grew up and up into tyrannies and tyrannies into democracies based on the majority of ordinary people – a ruling class of a different crop, within a democracy and governance that is inherently contaminated by self-serving intents.

This elitist establishment transformed the democracy into one that serves the interest of the ruling classes in the world that are dominated by those who own the means of production and exists in their interest that – a bourgeois democracy.

This is a system that continues to co-opt the majority into its fold through patronage, corruption and nepotism. It manages to reinvent itself through wars of destabilisation, civil wars, heightened perception of civil strife, misinformation, espionage and cycles of economic crisis.

Then, honourable Mahlalela asked me a question on whether we should even bother or whether we should serve in bourgeois democracies?

Honourable Mahlalela, in grappling with your question I happened to find the answer discreetly hidden in the following attached poem: Bye Bye, Over Coat, by Mutisway Shandu. Let me just take some few extracts:

Bye Bye, Overcoat

The day before yesterday Mr Straun
Gives me this overcoat. Today I catch
this train to my stepmother's, wearing it
It is a splendid coat, fawn, almost new..

Comes payday: a good hat – maybe
a fine Snap-brim Fedora..
Step mama has a singer at her place.

The air around me goes into deep freeze
Turning, I see at the far end: Main Ou
Has joined us, accompanied by a pair
of tough-looking tsotsis. Over dozens
of heads his eyes meet mine. He is staring
at my new overcoat. Thixo! Such Luck!

They started working silent, sullen folks,
towards me: peering in wallets , purses,
emptying handbags; some men even have to stand
to have their back-pockets patted. Main Ou
does not work or hang on. His legs are braced.

But one has already lost his fine
leather jacket. Bruce Lee, where are you now!
There are dozens of us, just three them.

As usual, each of us is alone
against the predator, the oppressor...

For once, even the SAP would do!
When I reach Stepmama's distinctive house
I am too sad to speak, and she sees it.
She serves me tea, strokes my defeated neck.
Her Singer stays, unused under her bed.

This year this house will approve the appropriation of R33 billion to the departments.

This poem tells us that yes we are all at one that this money that should take us a step further in the improvement of education, enhancing the health of the people of Mpumalanga, stimulates economic activities that will facilitate the creation of decent work; ensure safety and security, accelerate rural development and ensuring integrated sustainable Human settlements.

However there might be a *Main Ou* standing somewhere in the government systems or departments and saying: Thixo!, Such Luck! – Because, he sees an opportunity for self-serving intents than what we are all looking forward to.

We have choices. Either we stand in our dozens and watch as the pair peering in wallets, purses, and emptying handbags of the nation in the process where even we as individuals easily become victims, or we join forces and protect our resources from plunder to ensure that our priority is realised.

We can also choose to join the pair of tough-looking tsotsis and plunder or we can be the indomitable Bruce Lee's and the brave SAPS' good cops this time and fight against this bad tendency.

We may choose to give up and watch as hyenas plunder our resources with a hope that there will be a step mother that will take care of our defeated necks when they will have been broken, while the small business of our stepmama's collapse and their sewing Singer Machines are reduced into a rubble of unused tools, because a tender is manipulated to land in the hands of a clueless, unskilled and self-posing entrepreneur that has never had a dream of being such.

Should we participate in a democracy that is inherent with such ills? Yes, we can, provided we are not cowards that watch as others rights are violated. We can, provided we are not going to stand helpless waiting for a braver Bruce lee from somewhere to save the nation.

As the dozens in the Department of Finance, we have decided to join the dozens of the brave Bruce Lee's in the ANC led Government in Mpumalanga to fight to ensure that the public resources appropriated in Departments serves the purpose they were meant for – funding the priorities that have been presented by the Premier of this Province to this house and reflected in the appropriation bill we presented to this Legislature.

Honourable Speaker

In the previous year we set ourselves to deal with the following:

- Reduce roll overs and percentage of unspent budgets. To this effect, the Provincial Government spent 99.3 per cent of the allocated budget for implementation of 2012/13 priorities. This represents 1.2 per cent increase compared to the previous financial year.
- We also set ourselves to assist departments to improve their audit outcomes. However, we are so disappointed that the audit outcomes of departments, public entities for the 2011/12 were not at the required level expected by the Executive, notwithstanding efforts made to ensure that the systems are in place and necessary oversight is provided on business processes.
- We committed to work towards an information based planning that respond to our socio-economic situation. Various socio-economic reports were issued to inform the planning and budget process, including one on the assessment of the economic impact of public policy and spending in the Province were provided departments and municipalities periodically. This has assisted departments and municipalities to start evaluating their developments based on the information provided by these reports.
- The issue of the capacity of the state to deliver is very important. In the previous year, more officials benefitted from capacity building initiatives of the department in various areas of performance such as Risk Management, Internal Auditing, Assets and Supply Chain Management, through the first phase of Province's based going back to the basic project.
- We also committed to fighting fraud and corruption. To this end, we issued Guidelines on Fraud Risk Assessment and assisted departments with implementation thereof. We have also piloted a fraud prevention system as part of the programme to improve the integrity of our financial management system. The electronic system will assist in ensuring that payments are made out to the right person and service provider, by eliminating the opportunity for fraud and corruption in financial transactions.
- The *Luminet* system has already been installed and *Safetyweb* will be operational by June 2013.

- We will also roll out *Intenda* e-procurement system to the five remaining departments in order to improve supply chain management processes in the Province.

Honourable Speaker

The 2013/14 budget also demonstrated our commitment to securing education of Mpumalanga children; prioritising the health of men, women and youth and advancing social protection of the most vulnerable members of our society.

Our duty is to ensure that the set of priorities that the Honourable Premier outlined in his State of the Province Address is in the plan of the departments, public entities and is funded and that expenditure related thereto is tracked and monitored.

Priorities for 2013/14

Honourable Speaker

This budget that is tabled here today is aimed at responding to Outcome 9 which requires *a responsive, accountable effective and efficient local government system* which is best suited to deliver on the mandate of the people.

We will therefore outline how we plan to support municipalities in terms of budgeting, auditing, billing systems and related governance prescripts amongst others.

The Department of Finance is also expected to make contribution to the attainment of outcomes 12. This outcome enjoins all departments, public entities and municipalities to strive for *an efficient and development orientated public service and empowered, fair and inclusive citizenship*.

Honourable Speaker

Last month we introduced MuniMEC on finance in the Province. The MuniMEC is intended to strengthen Executive oversight and to ensure political accountability on financial management at the municipal level. The forum will facilitate structured engagement at the executive level, supported by equivalent responsibility provided in the structure of the South African Local Government Association in the Province.

We have agreed on a joint programme of action to ensure that the necessary Executive Leadership and support is provided to the functional units that will make the objective of attainment of clean audits achievable.

As the Honourable Members will notice, the allocation for the support programme has been marginally increased to support departments, municipalities and public entities and speed up quality service delivery, anchored on effective and hands-on Executive leadership on transversal financial programmes.

Operation Clean Audit campaign

The performance audit outcomes of the recent report issued by the Office of the Auditor General on the Provincial and Local Government Audit Outcomes drew attention to areas which require collective action to address critical areas in our financial administration.

In response to the report and other internally driven assessment of performance, the Executive Council adopted a programme of intervention to support municipalities.

We consulted identified municipalities to ensure that the strategies are responsive to the demands of work necessary to take the municipalities to the highest level of accountability and credible reporting on financial performance.

This year, we are taking measured interventions towards operation clean audit.

- Heads of Departments have been deployed by the Executive Council to municipalities together with support teams from Provincial Treasury;
- Audit Committee Chairpersons Forum for Provincial Government are working tirelessly to assist departmental Audit Committees in identifying focus areas and sharing best practices;
- At both Provincial and Local sphere, we will position Internal Audit units to increasingly focus on the correct areas to guide success of the clean audit campaign;
- The Provincial Internal Audit Unit has already evaluated Internal Audit plans of departments to determine whether key areas are covered and that Internal Audit Plans add value to the governance system, feedback has already been provided to each department, and
- The Accounting Services Unit continues to support departments and municipalities to improve their financial management.

This will require the officials who understand and are willing to support the initiatives of the Executive Council to advance the objective of clean administration from operational to executive management level.

We have started rolling out capacity development programme to go back to the basics of financial management and accountability.

The programme will be extended to the Legal services units in departments, Public entities and municipalities; Budget officers, Internal Auditors and Human Resource practitioners as part of the efforts to enhance the implementation of the Public Finance Management Act in the Province. A total of **R1 million** had been set aside in this financial year for this purpose.

Honourable Speaker,

The monitoring of trial balances in departments has resulted in a great improvement on financial reporting and reduction of misallocated transactions.

We will introduce guidelines which will involve standardisation of the charts of accounts, reporting on misallocated transactions and monitoring of the trial balances this year.

We deem it appropriate to extend the use of method of monitoring trial balances to municipalities in order to keep accurate financial information and ensure regular reporting and availability of supporting documents for audit purposes.

Enhancing supply chain management

Capacity development in supply chain management

This is due to perceived and sometimes unfair practices propelled by lack of capacity and in some cases, deliberate manipulation of the systems.

We are taking active steps to address these abnormalities to guarantee our people and business the best demand and supply management experience possible.

- The Provincial Government has cut-off the participation of government officials from supplying services to their departments.

- The specifications, evaluation and bid adjudication committees of the department have been provided with tailor made training, focusing on improvements in the legislative environment and based on the experience gained through the implementation of the systems over a period of time. We will once again extend training to committees in other departments this financial year.
- An increasing number of officials from various Government institutions are being given the opportunity to gain further training in Supply Chain Management. A total of 25 officials from Departments, Municipalities and Public Entities are expected to complete the Programme on Supply Chain Management in June 2013.

Price Standardization

Honourable Premier in his State of the Province Address mandated the provincial government to establish a Price Standardization Committee.

We have started the process of constituting the committee and the development of the terms of reference within which the committee will operate are currently at advanced stages. This committee will conduct market research of frequently procured commodities and recommend acceptable ranges of how much government should pay for such, including on transversal contracts. This is done so as to ensure uniformity in the government expenditure and to reduce collusion amongst and between officials and suppliers.

We will also commission a study on the value of money derived from procurement of services in the Provincial Government.

Payment of service providers

Honourable Speaker, we continue to ensure that service providers are paid within 30 days of receipt of valid invoices and satisfactory performance.

The report of the Forum of the Directors General of South Africa confirms that the Province is doing well in this policy area. We cannot however be pleased that some service providers are still paid more than 30 days after delivery of services to departments, public entities and municipalities.

Accordingly, we have issued an instruction note to all Accounting Officers and Chief Financial Officers to report on payments of creditors to Provincial Treasury on a monthly basis. Monitoring is taking place whilst feedback is provided to each department for improvement.

Provincial Asset Management

The Executive Council approved the Provincial Asset Management Framework earlier this month. The framework is critical to all the efforts of ensuring uniformity, standardization, interpretation and implementation of asset management in Mpumalanga.

It will enable the Department to provide single and on-point support to the Departments, Public Entities and Municipalities including on responding to audit questions on assets in the Province.

Liabilities management

Honourable Speaker and members,

We have exerted more efforts in supporting Departments, Public Entities and Municipalities in managing their liabilities.

This is done through focused training of officials and provision of analysis reports on liabilities and feedback to departments on retentions, leave gratuities, state guarantees, and lease agreements. Litigation costs though have become the second increasing cost driver in the Province.

Municipal financial viability

Municipalities in the Province have been struggling to collect sufficient revenue for the past few years. The socio-economic reports have time and again reported levels of poverty in various municipalities which have in most cases contributed to low levels of income generation as most people in surrounding areas are full of indigents, hence negatively impacted on the collection of revenue and the expansion of the revenue base, ultimately hindering municipalities to be self-sustainable. The monthly budget statement reports revealed a low collection rate or in certain cases a slight increase over the years.

As part of assisting the Municipalities to improve their billing system, **R3 million** has been allocated for data cleansing.

We have prioritised six municipalities, that is, Thaba Chweu; Bushbuckridge; Dr JS Moroka; Thembisile Hani; Msukaligwa and Dipaleseng Municipalities. These municipalities will be assisted to rectify incorrect data and remove outdated or inaccurate information from the database in the financial systems.

Risk management and fraud prevention

We have already indicated the progress we have made in the area of Risk Management and Fraud.

We are currently in the process of developing a Provincial Risk Register with the top ten high risks areas for both Provincial and Local Government in order to improve governance.

We have already developed a tool to monitor compliance and assess the effectiveness of Risk Management Committees. The tool will assist departments and municipalities to move from their current maturity level to a higher level on Risk management in the province.

We will continue to provide the departments with IT services support, but this year we will also extend our support to include IT Governance issues. To this end, we have revived the Provincial Government Information Technology Officers' Forum. The forum will provide a platform for sharing of information and best practices and supporting municipalities to address issues raised by the Auditor General in his latest audit outcomes report.

Infrastructure delivery

As presented in the Minister of Finance, Honourable Pravin Gordhan announced the reforms associated with Infrastructure Conditional Grants in the 2012 and 2013 Medium Term Budget and Policy Statements.

A task team that includes Provincial Treasury; National Treasury; Health; Education as well as Department of Public Works, Roads and Transport has compiled the Provincial Infrastructure Delivery Management System (IDMS).

The system will be tabled to the Executive Council before the end of the first quarter. What has become clear though is that more personnel will be needed to deliver infrastructure within the Province.

Division of allocations

The Department receives an allocation amounting to **R266.8 million** for the financial year ending 31 March 2014.

Honourable Speaker, allow me to outline the overall proposed allocations for the four programmes of the Department of Finance for the financial year ending on 31 March 2014.

Programme 1: Administration receives **R76.4 million** to ensure strategic support to the delivery programmes within the department. Included in this allocation is the funding of the Finance MuniMEC, amongst others.

The allocation to **Programme 2: Sustainable Resource Management** increases by 17% from last year's budget, taking its budget to **R45.1 million** to promote optimal allocation of provincial resources; efficient budget management, accurate financial reporting on provincial revenue generation and maximisation.

The allocation includes **R1 million** to enhance implementation of PFMA and **R5 million** for MFMA enhancement initiatives. We have also prioritised funding to strengthen the capacity in the Infrastructure Coordination unit in line with the new reforms.

R110.4 million is proposed for **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.

This programme's budget includes dedicated funding for Price Standardisation, a study on value for money, support and maintenance of *Safety Web*, *Luminet* as well as *Intenda* systems. The allocation also includes funding to enhance implementation of Supply Chain Management system as well as funding of Certificate programme on supply chain management for selected officials this year.

Programme 4: Financial Governance will receive **R34.8 million** 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. The funding of Non Profit Organisations and NPIs amounting to **R8 million** is included in this programme.

I hereby table the policy and budget for Vote 3: Department of Finance for consideration by the Honourable Members of this House.

In conclusion, Honourable Speaker, Allow me to extend my gratitude to the Honourable Premier for entrusting me with this responsibility;

Many thanks to all Members of the Portfolio Committee on Legislature Oversight, Premier's Office and Finance for advices given to us, including during the engagement on the annual performance plan;

To my colleagues in the Executive Council, thank you for your continuous support;

A word of thanks to the Head of the Department, Senior Management and all Officials in the Department of Finance who made this day possible.

I Thank You