

WHEN THE SUN RISES
WE WORK HARD TO DELIVER



provincial treasury
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

POLICY AND BUDGET SPEECH 2017/18

**Mr Sikhumbuzo Kholwane, MPL
MEC for Finance, Economic
Development and Tourism**

**25 May 2017
14:15**



Together We Move Mpumalanga Forward



“As part of the support programme to municipalities, the Provincial Treasury will this financial year (2017/18) appoint a panel of professionals in the field of financial management to provide a sustainable financial solution for municipalities, and to contribute to improvement of financial controls, contract management, project management, system controls in terms of the SCM and asset management.”

Mr Sikhumbuzo Kholwane
MEC for Finance, Economic Development and Tourism

SPEECH BY THE MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM, HONOURABLE SE KHOLWANE (MPL) DURING THE OCCASION OF THE TABLING OF THE POLICY AND BUDGET OF VOTE 3 (PROVINCIAL TREASURY) FOR THE 2017/18 FINANCIAL YEAR AT THE MPUMALANGA PROVINCIAL LEGISLATURE, CITY OF MBOMBELA

25 May 2017

- Honourable Speaker and Deputy Speaker;
- Honourable Premier, Mr. DD Mabuza ;
- Honourable Members of the Executive Council;
- Honourable Members of the Provincial Legislature;
- Members of Mayoral Committees and all Councillors;
- Chairperson of the House of Traditional Leaders, Kgoshi ML Mokoena;
- Director-General, Mr. Thulani Mdakane;
- Head Official of the Provincial Treasury, Ms. Nombedesho Nkamba and other Heads of Departments;
- Chairpersons of Boards and Chief Executive Officers of the Public Entities;
- Business Executive of the Office of Auditor-General in Mpumalanga;
- Chairpersons of Audit Committees and Risk Committees;
- Representatives of Labour, Business, Civil Society and the Media;
- Esteemed guests;
- Ladies and gentlemen;

POLICY CONTEXT

1. It is a privilege and honour for me to table the Policy and Budget Vote of the Mpumalanga Provincial Treasury on this significant day in our history as Africans.
2. As the *curtain goes down* on what has been a memorable Day on the African Continent, it feels good to boldly declare that **I am an African and Africa is my beginning and Africa will be my ending.**

3. I stand tall, proud and free, today, because of a generation of special African leaders who took a progressive stand of unity on this day in 1963 to intensify the struggle against imperialism and colonial forces.
4. As we conclude the celebration of Africa Day, we must however continue to march, even tomorrow, with the same unity of purpose to a vision of A Better Africa and A Better World as espoused by great African leaders such as, OR Tambo, Nelson Mandela Kwame Nkrumah, Hailie Selassie, Julius Nyerere, Augustino Neto, and Patrice Lumumba amongst others.

Honourable Speaker

5. In presenting this Policy and Budget Vote, I am mindful of the current global and domestic environment which continues to weigh heavily on our capacity to **deliver more, faster and better services** to effect favourable change in the quality of the lives of our people.
6. I speak on behalf of our glorious movement when I say this government will never betray the trust of the people of Mpumalanga.

Honourable Speaker

7. In his State of the Province Address in February (2017) this year, the Honourable Premier DD Mabuza reaffirmed this commitment when he called upon us to work together and pursue a **common purpose of effecting change in the quality of lives** of all our people.
8. He emphasized that, and I quote:

We should do so in a manner that brings hope, restores faith and demonstrates government's commitment to fighting the tri-faced menace that is unemployment, poverty and inequality.

9. We must therefore leave **no space for material deviations in neither our mandate nor the administrative processes** related to our transformation agenda.

10. All of us, in leadership and operational levels, need to buy into this progressive agenda to restore hope and thus move the poor from the doldrums of unemployment and poverty.
11. All departments, public entities and municipalities must continue to respond adequately to the current socio-economic challenges by **spending the budgets in areas that will make a real difference** in the lives of our people.
12. The building blocks of our programme are encapsulated in the **2017 State of the Province Address**, which has also reaffirmed the importance of ‘**good governance, financial management, revenue collection, institutional capacity and administrative capability**’ as the cornerstones of our support programmes to all public sector institutions in the Province.
13. To give effect to this strategic posture, the Provincial Treasury will continue to **provide expert guidance to departments, public entities and municipalities** on resource management, compliance and financial governance.
14. Our confidence to deliver on SOPA expectations and demands of the society for good governance has been bolstered by the award which was conferred on Provincial Treasury by the South Africa Institute of Chartered Accountants (SAICA), following the **achievement of the fifth (5th) successive clean audit since 2011/12**.
15. Despite the challenging environment of reduced operational capacity and budget cuts, the officials have demonstrated their **commitment to the programme of action, resulting in achievement of 49 out of 52 targets**.
16. Due to the effectiveness of our **procurement planning the Provincial Treasury was able to spend 99.6 percent of the 287 million 466 thousand rand budget** for the 2016/17 financial year to optimise its oversight role for better service delivery within the framework of good governance.
17. We will continue to implement corrective action so that all units achieve 100 percent of the targets.

REVENUE COLLECTION

Honourable Speaker,

18. The Provincial Government receives its resources to fund the programme of action from the National and Provincial revenue funds.
19. Reality is, the Province has been affected by the reductions in the transfers from national government recently.
20. Given the constrained national fiscus, it is important that the Provincial Government **strengthens the existing revenue controls and explores new streams** to supplement the Provincial budget.
21. As stated in our 2017 Provincial Budget tabled in March, we are still on track to achieve our revised target of R4.2 billion over the 2017 MTEF period, as we have generated in **excess of 1 billion rand** in **2016/17**.
22. Provincial Treasury will continue to support Provincial Departments and Public Entities to enhance revenue generation strategies in order to strengthen the Fiscus.
23. The Provincial Treasury has finalised the development of a Provincial Revenue Retention Policy and is enroute to the Executive Council for approval.
24. Recently, **Victor Khanye Local Municipality offered to cede the licensing function to the Department of Community Safety, Security and Liaison**; a decision which will also help us to maximize operational efficiencies and improve revenue collection.
25. I am inspired by my interaction with **Ms Prudence Madonsela, the newly appointed CEO of Witbank hospital** who contacted me on facebook to share some progressive suggestions to improve revenue collection.

26. I was contacted by Mr Banda who shared his bad experience while trying to pay for a license due to poor customer service at one of our local municipality licensing centres.
27. Ms Madonsela and Mr Banda are both good examples of active citizenry in action which we should try to emulate and encourage.
28. One of the areas that require immediate attention is **adherence by the officials to Batho Pele principles in all our service centres** such as licensing centres, parks and hospitals.
29. Honourable Speaker, I wish to turn to some of the key policy priorities that inform our programme of action for the 2017/18 financial year.

SUPPLY CHAIN MANAGEMENT (SCM)

Public procurement policy and programmes

30. The President of the Republic of South Africa, his Excellency Jacob Zuma suggested in his State of the Nation Address that we must **utilize the strategic levers that are available to the state to give effect to the new chapter of radical socio-economic transformation**.
31. We must therefore use all policy instruments to **accelerate broad-based participation and access to skills and business opportunities** in all sectors of the economy.
32. To this end, the Provincial Treasury will issue an **instruction note to give direction on local procurement with specific focus on SMMEs and cooperatives and integrate the Social Enterprise Development Model into the Supply Chain Management (SCM) regime** in the Province.

Infrastructure procurement and delivery

33. The **Infrastructure procurement processes have been revised** with effect from 01 July 2016 for all state organs, except municipalities which will come into effect from 01 July 2017, to harmonise the regulations governing Supply

Chain Management. This reform will increase the workload of Provincial Treasury in the short term, but bring efficiencies in the long run.

34. We will use public procurement and other public sector opportunities to **give women, youth and people with disabilities equal opportunities** to help build and move Mpumalanga forward.
35. We reiterate that a **significant amount of the State expenditure should be biased to local communities**, people with disabilities, youth, and women-owned enterprises in the Province.

Provincial transversal contracts

36. The new **Provincial transversal services** as announced by the Honourable Premier in his 2017 State of the Province Address came into effect from the first of April 2017.
37. We have thus far concluded the analysis of all existing contracts on the **identified commodities** such as cleaning materials; stationery; toiletries; furniture and event management in departments to give effect to this policy injunction.
38. We will finalise the specifications for the transversal contracts by 30 June 2017.
39. Our intention with this intervention on provincial transversal contracts is to **improve efficiency, value for money, and at the same time, benefit from economies of scale** while we facilitate the creation of employment and job opportunities for the people of Mpumalanga.

Modernization of procurement systems

Honourable Speaker

40. During the 2016/17 financial year the government introduced a **single database for suppliers (CSD) and a single point of entry for public sector procurement opportunities (eTender)** as part of modernization of public sector procurement.

41. **Furthermore, Provincial Treasury has established the Call Centre** to fast track payment of suppliers whose legitimate invoices were not settled by departments within the mandatory 30 days.
42. It is in the interest of the communities we serve to ensure that suppliers are paid on time for services rendered, to ensure sustainability of small businesses in the Province.

Provincial Supply Chain Indaba

43. The Provincial Treasury will convene a **Provincial Supply Chain Indaba in August 2017** to assess the impact of these procurement systems on government and business, and to chart a way forward on province-specific interventions to enhance implementation of a public procurement policy in the Province.
44. The summit will further serve as a platform to orientate the suppliers on the **new Preferential Procurement Policy and Regulations, Government Nutrition model as well as our Social Enterprise Development Model, which all seeks** to revolutionalise public sector procurement.

SUPPORT TO MUNICIPALITIES

Support financial viability of municipalities

Honourable Speaker

45. Many customers are failing to pay their municipal accounts thus creating cash flow challenges which continue to **threaten the financial sustainability of and hamper the municipalities** from meeting their obligations to creditors.
46. Added to these challenges is the capacity of municipalities to create an environment for a sustainable financial solution for their respective municipalities as well as a sound financial control environment.
47. As part of the support programme to municipalities, the Provincial Treasury will in this financial year (2017/18) **appoint a panel of professionals in the field of financial management** to provide a sustainable financial solution for

municipalities, to improve financial controls, contract management, project management, system controls in terms of the SCM and asset management.

48. Seven (7) local municipalities, that is, Emalahleni, Emakhazeni, Mkhondo, Lekwa, Msukaligwa, Dr JS Moroka as well as Thaba Chweu have been identified to benefit from this intervention.
49. We will also provide **relevant training to municipal officials to competently discharge their responsibilities** as stipulated in various municipal finance prescripts.

Asset management and audits

Honourable Speaker

50. Asset management is one of the **frequently cited areas of negative audit findings** in the public sector and our municipalities in particular due to the large and varied asset base.
51. In order to address this challenge, we have **established an inter-sectoral committee** to support municipalities in this area of work.
52. We will also **appoint young graduates, who will work under the guidance of experienced supervisors, to assist / support municipalities with asset registers.**
53. This intervention, Honourable Speaker, seeks to ensure sustainability of the support to municipalities, contribute to developing the necessary capacity in the Province, and give the unemployed graduates' short term financial relief while also building the required experience for them to compete in the job market.

Single window of accounting for government

54. Honourable Speaker, last year we committed to supporting municipalities to move towards a uniform system of recording of budgets.

55. We have made great progress in preparing municipalities to comply with the requirements for **implementation of the Municipal Standard Chart of Accounts (mSCOA) by the 1st of July 2017.**
56. While all municipalities are on board in terms of the requirements for a change to this common budgeting framework, **some municipalities are lagging behind** in terms of the project plan and implementation processes.
57. We will **provide hands-on support to municipalities to conform to this policy requirement** for a single window of budgeting and accounting in the government.

FINANCIAL GOVERNANCE

Risk management and audit improvement

Honourable Speaker

58. Potential investors rely on the financial governance elements of our institutions to determine whether to support our programmes and to what extent.
59. To this end, the Provincial Treasury will use risk assessment reports and audit findings to assist departments, public entities and municipalities to **improve the financial governance environment and thereby contribute to improved audit outcomes in the Province.**
60. These endeavours should assist public institutions to reduce waste, prevent fraud and corruption, and ensure better value for money through more efficient use of resources amongst others.
61. We will continue to support departments and municipalities in addressing audit outcomes including **on ICT governance issues.**

BUDGET ALLOCATION PER PROGRAMME

62. The bulk of the Provincial Treasury budget is allocated to Programme three (3) to provide a platform for the optimum functioning of the transversal systems such as BAS, LOGIS, and Persal amongst others including information technology systems.
63. I will now outline budget allocations to the four programmes of the Provincial Treasury:
64. As indicated in the 2017 Main Appropriation, **R289 million 945 thousand rand** has been appropriated to the Provincial Treasury for the 2017/18 financial year.

DIVISION OF ALLOCATIONS

65. The total allocation to the Administration component of the Provincial Treasury is **89 million 559 thousand rand**.
66. Programme 2 which is responsible for the revenue enhancement strategy, provincial budget management and infrastructure coordination amongst others is allocated **52 million 614 thousand rand**.
67. **120 million 889 thousand rand** is provided to the Assets and Liabilities Management Programme, and lastly;
68. The Financial Governance Programme receives **26 million 882 thousand rand** during this fiscal period.
69. As I conclude, let me share this **profound statement by OR Tambo** at the height of the struggle for freedom, when he said:

Open quote “The fight for freedom must go on until it is won; until our country is free and happy and peaceful as part of the community of man, we cannot rest”. Close quote.

70. Honourable Speaker the present challenges require our generation to **adopt the same determination that was displayed by the great leaders such as OR Tambo** if we are to win the battle toward radical economic transformation.

71. We must **look no further than the National Development Plan to shape the kind of society that we want**, and ensure that all stakeholders are united in pursuit of a South Africa and Mpumalanga which is free from the debilitating effect of economic hardships.
72. Together with our people, we will continue to seek improvement mechanisms that could assist us to **accelerate our efforts towards building the envisaged national democratic society**.
73. Allow me take this opportunity to convey my profound appreciation to movement of the people, the **African National Congress, and the Honourable Premier** for giving me this opportunity to lead the Provincial Treasury.
74. Many thanks to my colleagues in **the Executive Council, Chairperson and Members of the Portfolio Committee** on Premier's Office; Finance; Economic Development and Tourism for supporting me to carry out the mandate of our glorious movement.
75. To the **Director-General, Head and all officials in the Provincial Treasury**, thank you very much for all your administrative counsel and ensuring that Provincial Treasury works for the people.
76. Lastly but not least, I would like to thank **my family and my children** for being outstanding companions and my pillars of strength.
77. **I now have the honour of tabling the Policy and Budget for Vote 3: Mpumalanga Provincial Treasury for the 2017/18 financial year.**
78. I thank you.

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