



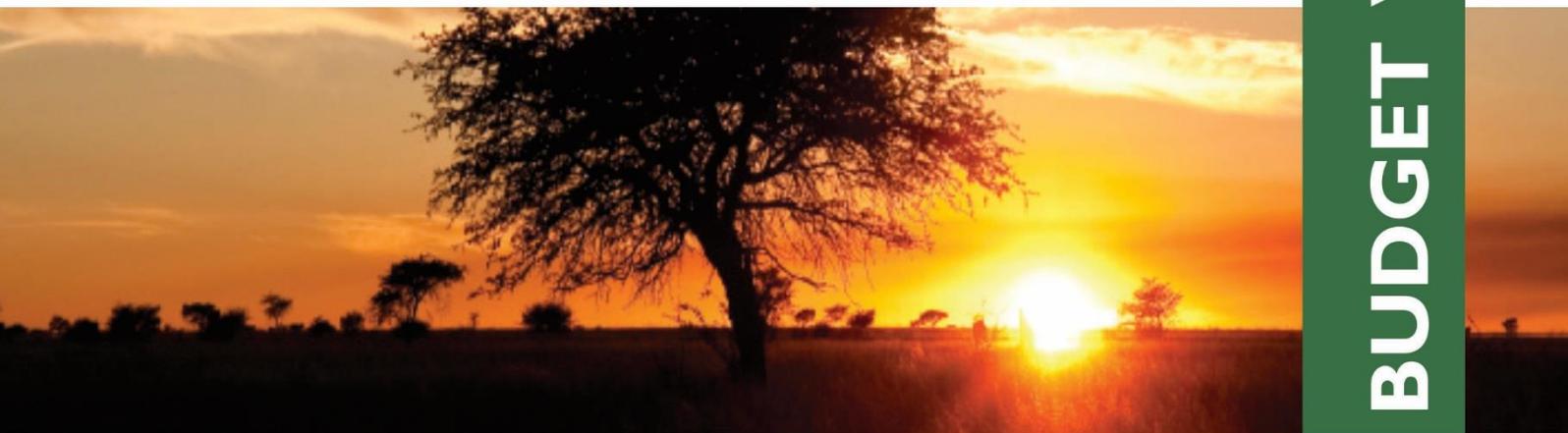
provincial treasury
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

Policy and Budget Speech

Hon Sikhumbuzo Kholwane, MPL
MEC for Finance, Economic
Development and Tourism

26 April 2016
14:15

BUDGET VOTE 2016/17



Together We Move South Africa Forward



SPEECH BY THE MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM, HON SE KHOLWANE (MPL) DURING THE OCCASION OF THE TABLING OF THE POLICY AND BUDGET OF VOTE 3 FOR THE 2016/17 FINANCIAL YEAR, MPUMALANGA PROVINCIAL LEGISLATURE, MBOMBELA

26 April 2016

- 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;
- 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. I am greatly honoured and humbled by the opportunity to table the 2016/17 Policy and Budget Vote of Provincial Treasury on the eve of the Freedom Day Celebration.
2. April is a month of special historical significance to the people of South Africa.
3. It is a month which marks an irreversible political process set in motion to liberate our country and its people from the bondage of colonial apartheid misrule.
4. We are celebrating a day and a month on which both the oppressor and the oppressed were liberated.
5. We celebrate the gallant efforts and sacrifices of heroic men and women who laid down their lives on behalf of the oppressed masses.
6. It is worth refreshing that on this historic day, the 27th of April 1994, the ANC led government was installed by an overwhelming majority of the electoral vote.
7. In celebrating the 22nd anniversary of our freedom we remain alive to the reality that millions remain unemployed, and go to bed hungry with little prospect of food the following day.
8. The clarity and correctness of our fiscal policy in responding to this historical context remains central to our Programme of Action.
9. Honourable Speaker, this month reminds us to pay homage to the life and revolutionary contributions of the fallen stalwarts who passed on during the month of April, let the nation take a bow for:
 - Oliver Reginald Tambo;

- Chris Thembisile Hani; and the
- Former Minister of Safety and Security Steve Tshwete;

10. Lastly, this month also marks the 47th Anniversary of the historic Morogoro National Consultative Conference which at the time helped to correctly assess and accelerate our struggle for national liberation declaring that ***“The people shall share in the Country’s Wealth, and there shall be work and security.”***
11. The ANC led-government is indeed making great strides in progressively accomplishing the glorious tasks of the National Liberation Struggle and subsequently socio-economic injunctions from the Constitution of the Republic of South Africa.

OVERVIEW OF PERFORMANCE OUTCOMES

12. Honourable Speaker, the report of the World Economic Forum titled ***“CPI bias and its implication for poverty in Sub Saharan African countries”*** notes a ***“surprising”*** decline in poverty in Africa and South Africa.
13. Well, we are not surprised. The report only confirms what we have already stated – that effective implementation of our pro-poor policies has contributed in improving the socio-economic profile of our people.
14. We must continue to work together with all stakeholders to address the high level of unemployment and inequality as a matter of priority.
15. As the ANC led government we will continue to maintain a prudent fiscal stance with the intention of placing the economy on a path to sustainable growth and job creation.
16. The system of intergovernmental relations on fiscal management shows encouraging signs of improvement.
17. We have put in place reforms for uniform budget processes, a single procurement system and public accounting framework to improve the delivery of quality services to all our people.

Siyaqhuba. Sishodangawe nje kuphela!!!!

18. The Honourable Premier, Mr. DD Mabuza in his 2016 State of the Province Address provided further context for the programme of action of the Provincial Treasury when he said, and I quote

“We are entering a phase where we are called upon to do more with less, where the burgeoning demands of a growing population are juxtaposed with a shrinking pool of resources”. (Close quote)

19. This Policy and Budget is an expression of our commitment to use the budget in the right areas and to respond to the impact of budget reductions by strengthening efficiencies; improving revenue collection; and implementing cost containment measures in the Province.

IMPROVE EFFICIENCIES AND REDUCE WASTAGE

Honourable Speaker

20. There is no better time to demonstrate one's strength than during trying times.
21. The budget cuts in the 2016/17 and 2017/18 financial years challenge us to improve efficiencies by fostering innovative problem solving techniques.
22. We must heed the advice of the Honourable Premier when he said, and I quote
- "...scaling down of costs must be strategically balanced with the scaling up of growth and delivery." (Close quote)***
23. To this end, the budget for non-core activities in the Provincial Treasury has been reduced and the savings redirected towards the priority programmes such as the Integrated Municipal Support Plan, amongst others.
24. In line with the 2015/16 policy commitment to maximize efficiencies and reduce wastage,
- 24.1 The Provincial Treasury realised a saving amounting to **5 million rand** which has since been re-allocated to the Departments of Community Safety, Security and Liaison and Health to improve their revenue collection systems.
- 24.2 The budget allocation for audit fees has been reduced from approximately **3.5 million rand** in 2015/16 to **3 million rand** in the 2016/17 financial year due to the effectiveness of internal controls in the Provincial Treasury.
- We will continue to work with all departments, public entities and municipalities to improve their controls and state of readiness for audits.
25. The Provincial Treasury and Department of Economic Development and Tourism are currently exploring efficiency gains from streamlined support services in line with the SOPA pronouncement for a ***comprehensive review of the current regional service delivery model.***

As part of rationalizing our administrative component, we will undertake a process towards a single support service for both departments and integration of regional offices as part of our commitment to do more with less.

COST CONTAINMENT MEASURES

Honourable Speaker,

26. In line with the Joint Action Plan between ourselves and national government to address expenditure management challenges, we will continue to enforce the implementation of Treasury Regulations on cost containment.
27. To this end,
- 27.1 Catering for internal meetings has been prohibited in the Department since 2008. ***Provincial Treasury must lead by example.***
- 27.2 Government-owned facilities will be optimally used for departmental meetings and workshops.

- 27.3 We reduced allocations for telephones, travelling and accommodation; and balanced that with the introduction of a video conferencing solution. The Information Technology Unit of the Department will work towards expanding access to this facility to all departments before the end of this financial year.
28. These measures are not intended to compromise service delivery. They are in fact an integral part of a bigger plan to ensure efficient and effective utilization of state resources.

STAFF VERIFICATION

Honourable Speaker,

29. During the 2015/16 financial year we announced the rollout of the staff verification initiative to enhance the credibility of the provincial payroll and prevent leakage of budget.
30. We have completed verification in the Departments of Health, Human Settlements, Community Safety, Security and Liaison, Culture, Sport and Recreation, Office of Premier and the Provincial Treasury.
31. We will continue with this initiative in other departments to ensure that the government pays salaries only to deserving officials.

REVENUE ENHANCEMENT

Honourable Speaker,

32. Increased revenue is necessary to enable Government to expand basic services to the people.
33. To realise our commitment to increase the provincial revenue to **four (4) billion rand** in the 2016 Medium Term Expenditure Framework period, the Provincial Treasury will continue to support all departments to improve their revenue collection systems and furthermore ensure that our Public Entities move towards self-sustainability.
34. We will also finalise a Provincial Revenue Retention Policy in an effort to incentivize major generators of own revenue for future budget allocations.

AUDIT OUTCOMES AND PLANS

35. During the previous financial year we committed to implement the **Back-to-Basics programme** with specific focus on strengthening the system of internal controls and improving audit outcomes of departments, public entities and municipalities.
36. While the support to municipalities has resulted in improvements in audit outcomes, the departments and public entities regressed during the 2014/15 financial year.
37. **Three (3)** departments and **three (3)** public entities received qualified audit opinions. **Seven (7)** departments received **unqualified audit outcomes**.
38. **Two (2)** departments - Provincial Treasury and Department of Cooperative Governance and Traditional Affairs and one **(1) public entity** - Mpumalanga Gambling Board – received an **unqualified audit outcome with no findings**.

39. On the other hand, **five (5)** municipalities moved from **qualified to unqualified audit opinion**, **one (1)** moved from **disclaimer to qualified opinion**, and **one (1)** improved from **unqualified to a clean audit opinion** in the 2014/15 financial year.
40. The Auditor General has acknowledged some improvements in human resource controls, audit action plans and record keeping in various municipalities in the Province. Some areas such as ICT governance and controls and review and monitoring of controls, however, still need attention.
41. The Provincial Treasury has tested the effectiveness of the system of internal audit and risk management in our municipalities, and remedial action plans were developed to address identified gaps during this financial year.
42. We have set aside funds in the budget to support audit improvement initiatives in Thaba Chweu, Msukaligwa, Emakhazeni, Emalahleni, Bushbuckridge, Mkhondo, Dr JS Moroka, Thembisile Hani, and Victor Khanye Local Municipalities.
43. To further strengthen accountability processes for implementation of audit improvement plans, the Provincial Treasury will sign service level agreements with all municipalities; departments; public entities; SALGA, COGTA and District Municipalities in the Province.

INTEGRATED MUNICIPAL SUPPORT

Municipal financial viability

Honourable Speaker

44. Inadequate funding and poor management of financial resources undermines service delivery in most of our municipalities.
45. To address these challenges, the Provincial Treasury will conduct gap analysis in **eight** local municipalities, which are Thaba Chweu, Emakhazeni, Emalahleni, Chief Albert Luthuli, Lekwa, Govan Mbeki, Nkomazi and Mkhondo as part of ensuring that they are financially viable.

Municipal Standard Chart of Accounts

Honourable Members

46. Different accounting systems make it difficult for the public sector to present uniform reports on the use of public resources.
47. As part of the process of harmonising the accounting standards, we undertook to pilot the new Municipal Standard Chart of Accounts in two municipalities during the 2015/16 financial year.
48. Of the two that were identified for piloting only Nkangala District Municipality made progress.
49. We will continue to assist all other municipalities to ensure readiness for the implementation of the single system of accounting in 2017.

SUPPLY CHAIN MANAGEMENT (SCM)

Honourable Speaker

50. Value for money in public service delivery depends on rigorous financial management, effective systems and an unrelenting fight against corruption.
51. As part of the initiatives to improve transparency and accountability, the Provincial Treasury coordinated the Executive Development Programme for Head of Departments, Municipal Managers, Chief Financial Officers (CFOs) and Heads of Supply Chain Management (SCM) of both spheres of government on the new reforms in Supply Chain Management (SCM).

Central supplier database

52. In line with our commitment to participate in piloting of the Central Supplier Database (CSD), we can confidently report that:
 - 52.1 The central supplier database is now live and functioning;
 - 52.2 **One Hundred and fifty six (156)** Supply Chain Management practitioners in our departments, public entities and municipalities have been trained to provide assistance on the Central Supplier Database (CSD), and
 - 52.3 To further bring the Central Supplier Database technical Support closer to the suppliers, training has also been provided to officials at **eight (8)** Thusong Service Centres. The remaining Thusong Service Centre in Louisville will be covered during this financial year.
53. Honourable Speaker, we are pleased with the progress made in implementing the system so far. The number of registered companies / enterprises on the Central Supplier Database in Mpumalanga has grown from **two thousand seven hundred and fifty nine (2 759)** in January 2016 to **six thousand five hundred and seventy eight (6 578)** as at 31 March 2016.
54. The benefit of this online database is that suppliers register once and will also be eligible for consideration to provide goods and services by all public sector institutions, anywhere in the country.
55. We will continue to rollout initiatives that seek to improve procurement practices in the Province.

PAYMENT OF SUPPLIERS WITHIN 30 DAYS

Honourable Speaker,

56. We reconfirm our continued commitment to improving business processes which include payment of suppliers within the stipulated timeframe.
57. It is unacceptable for suppliers to wait more than 30 days for Public Institutions to honour their financial commitments.
58. As the Department that provides oversight on implementation of the Financial Management legislation we have an interest in ensuring administrative justice for the suppliers in the Province.

59. To this end, we will continue with the process towards establishing a Call Centre to support all suppliers who struggle to get their valid invoices paid by departments, public entities and municipalities.
60. The Contact Centre will be operational on the 1st of July 2016, and suppliers will be able to contact Provincial Treasury on **0800-00-66-57**.

BUDGET ALLOCATION PER PROGRAMME

61. Our allocated budget remains at the same level as provided in the main appropriation of the 2015/16 financial year.
62. **R287 million 466 thousand rand** has been appropriated to the Provincial Treasury for the 2016/17 financial year.
63. Madam Speaker, I will now briefly outline the division of allocations per programme.

Division of allocations

64. The Administration component of the department receives **R72 million 609 thousand rand**.
65. Programme 2 which is Sustainable Resource Management is allocated **R58 million 951 thousand rand**.
66. **R127 million 175 thousand rand** is allocated to Asset and Liabilities Management.
67. The fourth Programme, Financial Governance, receives **R28 million 731 thousand rand** during this fiscal period.
68. As I close allow me to quote Mark Twain who said and I quote:

“The secret of getting ahead, is getting started.” Close quote.

69. Honourable Members, this Policy and Budget Vote signals our first step towards ensuring equitable allocation, fiscal consolidation and improved financial governance for service delivery. This budget is the first step to doing more with less.

Madam Speaker,

- I would like to convey my appreciation to the African National Congress and the Honourable Premier for entrusting me with stewardship over the provincial purse.
- To my colleagues in the Executive Council, thank you very much for your support as we continue to carry out the mandate of our glorious movement.
- My appreciation goes to the Chairperson and Members of the Portfolio Committee on Premier’s Office; Finance; Economic Development and Tourism for the immense support to this department.
- I would like to thank the Director-General for his administrative support over the work of Provincial Treasury.
- To the Head Official and all officials in the Provincial Treasury, thank you very much for supporting my Office.

- Lastly but not least, I would like to thank my family and my children for being my pillars of strength.
70. **I now have the honour of tabling the Policy and Budget for Vote 3: Mpumalanga Provincial Treasury for the financial year 2016/17.**
71. I thank you.

PROVINCIAL TREASURY

SUMMARY OF BUDGETED RECEIPTS AND PAYMENTS

R thousand	2015/16			Medium Term Estimates		
	Main appropriation	Adjusted appropriation	Revised estimate	2016/17	2017/18	2018/19
Receipts						
Equitable share	278 693	269 386	269 386	278 211	305 982	325 410
Conditional grants	-	-	-	-	-	-
Own revenue	8 857	8 857	8 857	9 255	9 718	10 204
Total receipts	287 550	278 243	278 243	287 466	315 700	335 614
Payments						
Programmes						
Administration	74 688	78 949	78 922	72 609	85 659	90 587
Sustainable Resources Management	63 074	52 155	48 834	58 951	57 879	56 147
Assets and Liabilities Management	115 076	115 783	115 701	127 175	135 154	144 751
Financial Governance	34 712	31 356	30 527	28 731	37 007	44 129
Total payments	287 550	278 243	273 984	287 466	315 700	335 614
Economic classification						
Compensation of employees	152 250	152 063	151 599	163 786	179 678	185 961
Goods and services	122 985	113 689	109 925	119 457	128 981	143 320
Transfers and subsidies	3 531	3 366	3 384	1 261	599	634
Payments for capital assets	8 784	9 125	9 065	2 962	6 442	5 699
Payments for financial assets	-	-	11	-	-	-
Total economic classification	287 550	278 243	273 984	287 466	315 700	335 614
Surplus /(deficit) before financing	-	-	4 259	-	-	-