



Speaker: N.B Sifuba
Provincial Legislature



Premier: M.A Dukwana
Office of the Premier



Hon. G. Brown
Provincial Treasury

05 May 2023

 **Welkom**

Time: 10h00



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the premier
Office of the Premier
FREE STATE PROVINCE

BUDGET VOTE 2023/24
VOTE 4: FREE STATE PROVINCIAL TREASURY



**Member of the Executive Council
for Finance
FREE STATE PROVINCE**

BUDGET VOTE 2023/24

Hon. Gadija Brown
MEC for Finance: Free State Province
05 May 2023

Hon. Speaker Me Zanele Sifuba

Deputy Speaker Me Lucy Mapena

Hon. Premier Mr. Mxolisi Dukwana

Members of the Executive Council

Member of the Free State Provincial Legislature

Director-General of the Province

Heads of Departments

Esteemed guests

Introduction

Hon. Speaker, I would like to present this budget whilst we will be celebrating the birth of a great leader of our liberation movement, cde Walter Sisulu, the co-founder of the ANC Youth League and Umkhonto we Sizwe, who was born on 18 May 1912, 111 years ago. We would like to also join those across the province who celebrate their 100 year birthdays, as they were witness to, The United Party winning the General Election in South Africa, 85 years ago in the same month on the 18 May, 1938. 10 years later 75 years ago in **1948, May 26** – National Party won the Whites-only election in South Africa and began to institute policy of apartheid. **1956, May 18** – The Separate Representation of Voters Amendment Act, one of the cornerstone legislations during Apartheid, commenced. **1994, May 1** – May Day or ‘Workers Day’ has been unofficially celebrated in South Africa since the 1980s. However, the 1 May only became an officially recognised public holiday after the

democratic elections of 1994. **1994, May 10** – Inauguration of Nelson Mandela as President after the first free and fair elections in South Africa. **1994, May 23** – South Africa joined the Organisation of African Unity (OAU), and it was on the **5th of May 2020** that the nation received guidelines for quarantine and isolation during the great pandemic that hit the globe.

Whilst many in our province have lived and witnessed 100 months of May, they would be able to tell us a tale of our countries dramatic changes in a century's history, however the challenges over the many years, our liberation movement, this province and provincial treasury remains steadfast. Steadfast, despite the tough economic environment in which we are operating in, the rising inflation, the looming intensified conflicts we are witnessing in Russia and Ukraine, and the conflict on the continent in Sudan, and the recent disaster in Rwanda. We will remain steadfast and resolute on our path towards fundamental change, we will forge towards a national democratic revolution, and espoused in our freedom charter and constitution we will continue to work together towards building a nation that is united, democratic, non-sexist and non-racial. Our decisions today will absolutely impact a child from Bronville as he/she lives through the next 100 years.

Given the above context honourable speaker, the Free State Provincial Treasury's vision is to be an innovative and resilient partner in prudent fiscal management, socio-economic growth, and service delivery. The departments mission is to promote socio-economic inclusiveness for shared growth through: innovative fiscal management; sustainable resource management; and good governance.

Honourable Speaker, on occasion of the State of the Province Address the Honourable Premier said that the period ahead will be characterised by courage and decisive action to set the Free State on a new path of development. It is in this spirit that I present this budget vote as our commitment to support the province in this noble endeavour.

Whilst the Provincial Treasury does not render services directly to the public, we serve the people of the Free State through our support to departments and municipalities, our monitoring and oversight to ensure sound financial management at provincial and local government level

Our role on governance, clean audits and efficiencies represent value for money and financial oversight is a direct influence and impact on service delivery.

To fulfil this role an amount of **R351.852 million** has been appropriated to the Provincial Treasury for the 2023/24 financial year.

PROGRAMME 1: ADMINISTRATION

Honourable Speaker, the **Administration Programme** is critical in ensuring the effective functioning of the department. The programme ensures that appropriate support services are provided to all other programmes. Given the nature of Provincial Treasury's work, the bulk of our budget, **R118.879 million** is allocated to this programme.

Human Capital, capacity building, ethics and consequence management

This programme will play a key role in ensuring that we fill critical vacancies and improve our employment rate to at least 90%. We will also make a concerted effort to improve on the representation of women in senior management positions from 39% to at least 42% in pursuit of the national target of 50%.

The department will embark on a skills audit to ensure that we not only have the capacity to fulfil our mandate and responsibilities but that we are positioned to deal with the challenges of the future.

At the same time, there will be greater emphasis on ethics through training on the code of conduct and awareness sessions on security measures, ethics and anti-corruption. The Department will also embark on a programme to conduct life-style audits for the entire department. I have requested that during the first phase of the department's lifestyle audit process it should start with the MEC.

Honourable Speaker, I am happy to report that we have sharpened our **controls** and Provincial Treasury improved its audit outcome to an unqualified with no findings (clean) opinion for 2021/22 and we will do everything in our power to maintain it.

Innovation

The department aims to reduce the utilisation of manual paper based processes and will start with the implementation of an **electronic document register** that will be deployed throughout the department.

Special Programmes

Honourable Speaker, my office will continue with our programme to empower our citizens on **financial literacy**, which will help our future generation to understand how to manage their Rands and cents and to empower them to make smart, savings, borrowing, and other financial decisions such as stockvel, cash loans risks, funeral plans, wills , internet and whatsapp scams.

Support to Local Economy

I am also proud to say that the Department has been able to maintain its record of paying **100% of uncontested invoices** from suppliers within 30 days and intends to continue to maintain it in the 2023/24 financial year.

PROGRAMME 2: SUSTAINABLE RESOURCE MANAGEMENT

Honourable Speaker, our Sustainable Resource Management Programme's role is to provide **professional advice** and support on provincial economic analysis, fiscal policy and the management of the annual budget process as well as the implementation of the provincial

budget. In the 2023/24 financial year this Programme is allocated a total budget of **R57.816 million**.

Economic Analysis

Madam Speaker, to draw the attention of policymakers and stakeholders to pertinent fiscal-, labour market-, socioeconomic-, and macroeconomic-issues in order to implement proactive remedial strategies; the department produced:

- (i) **Four Quarterly Labour Market Review** documents which provide insightful analysis of the provincial labour market performance, using the latest labour market statistics released by Statistics South Africa), and
- (ii) Three annual publications, namely: **Medium-Term Policy Budget Statement (MTBPS)**, **Provincial Economic Review Outlook (PERO)**, and **Municipal (and District) Economic Review Outlook (MERO)**.

I am pleased to apprise the distinguished house that we will continue to produce these quarterly and annual publications during this financial year.

Honourable Speaker, our **research colloquium** has become an institution in the province and I am happy to report that we were able to successfully host the 5th Annual Free State Research Colloquium with the theme "*Transitioning the provincial economy through an inclusive*

economic growth and competitive recovery” from the 28th to 29th September 2022.

We take great pride in promoting synergetic partnerships with other provincial departments and academic institutions in the province and the success of the Research Colloquium was because of the collaborative efforts of valued partners, which include the Office of the Premier, DESTEA and the Management of the Central University of Technology and the University of the Free State.

The success of the Provincial Research Colloquium is highlighted by the fact that it attracted 17 high-quality research presentations from seasoned researchers and top-ranking academics across South Africa.

Madam Speaker, to equip our policymakers with in-depth knowledge, valuable holistic information, and to cultivate research-driven policymaking; all the presented research solely focused on how to facilitate a technology-driven economy, maintain fiscal sustainability, efficiently manage infrastructure projects, provide innovative and quality education, encourage the development of township economy and entrepreneurship in the Free State Province.

To build on this success honourable speaker we plan to host the 6th Provincial Research Colloquium later this year. We intend to share relevant findings and policy implications in available provincial and national platforms such as workshops, conferences and meetings. As part

of delivering the vision that the Premier has set out in his state of the Province address, we propose the following topics for our research colloquium this year

1. Assessment of our logistics network in the Free State to support production to market which will include assessments from Airports Company South Africa (Air), Transnet (rail), and road as well as our logistics to our SEZ and industrial parks in the province
2. Assessment of the total energy needs over the MTEF
3. Assessment of the total water needs over the MTEF

The intention will be to complete a holistic budget over a 5-year period, implementation plan and work that will enhance our work towards realising the NDP 2030 and the Free State Growth and Development Strategy.

Budget Management

Honourable Speaker, an achievement for any provincial treasury is the preparation of the **annual provincial budget**, especially given the financial constraints and the difficult domestic and global economic environment.

We will continue to drive the provincial budget process and ensure that the provincial budget decisions are evidenced-based and are informed by research and analysis. We are committed to ensuring that the limited financial resources are allocated efficiently and effectively to address key government priorities.

Provincial Own Revenue

Honourable Speaker, we need to embrace the manner in which own revenue for the province has performed over the years as these sources of revenue has managed to fund various priorities within the province.

The province has been able to achieve the target that was set for own revenue. In fact, Honourable Speaker, once again, our own revenue target was **increased** during the Revenue Adjustment Budget whereby an additional **R121.814 million** was made available for the province.

To emphasize the significance of own revenue, Provincial Treasury has funded own revenue initiatives under the Departments of Public Works and Infrastructure as well as Community Safety, Roads and Transport. The funding will be utilised for refurbishment of properties for rental purposes and security upgrades at various registration authorities.

Public Finance

Honourable Speaker, Provincial Treasury will continue to monitor spending in line with the limited financial resources allocated and also ensuring that provincial cost containment measures are implemented to identify efficiency savings to be channelled towards key government priorities.

At least R5 billion will be invested on Free State provincial infrastructure and Provincial Treasury's role is to ensure that there is value for money for the infrastructure delivered.

One of our main concerns is the slow expenditure trends on conditional grants year on year. We are committed in ensuring that planned projects will be fast-tracked and be completed within available budgets. Working together with the National Treasury we will continue to support efforts to institutionalise the Infrastructure Delivery Management System (IDMS) within departments in encouraging better planning and delivery of infrastructure.

Madam Speaker, I am pleased to announce that **the Provincial Revenue Fund has obtained a clean audit** report during the 2021/22 financial year. However, as a province we will have to work even harder to ensure that we enhance our liquidity and build much-required reserves.

PROGRAMME 3: ASSET AND LIABILITY MANAGEMENT

The Asset and Liability Management Programme is responsible for providing policy direction, facilitating the effective and efficient management of assets, liabilities and financial management systems and procure transversal and cross-cutting goods and services. The programme has been allocated **R64.478 million**.

Honourable Speaker, while there has been some improvement in audit findings across provincial departments relating to non-compliance with Supply Chain Management prescripts, it remains a major concern. We will therefore continue with our monitoring and oversight of Supply Chain Management (SCM) and Asset Management in term of movable and immovable assets in departments and entities.

Probity assessments are one of the interventions through which the department supports departments and entities and conducts its oversight role. It is a valuable tool that adds value to a department's processes with regards to addressing the issue of irregular appointments in bids.

To support departments and entities with the implementation of the **Preferential Procurement Regulations 2022**, following its promulgation in November 2022, the department issued a circular to provide guidance and conducted sessions with stakeholders such as Heads of Departments, Chief Financial Officer, SCM practitioners and suppliers at events such as the CIDB workshop for women in construction. Provincial Treasury furthermore assisted departments to ensure that their procurement policies are aligned with the regulations.

The department remains committed to **supporting suppliers** in the province and will conduct SCM Road shows across the province to sensitise service providers on the new Regulations 2022 and how it will affect them in terms of requests for quotations and bids. This will be done

in conjunctions with CIDB, SEDA and SARS and will provide information on completion of bid documents and factors to consider when compiling bid prices. In addition suppliers will be assisted with:

- CSD onsite registration
- Tax compliance status
- Availability of Construction programmes in government

PROGRAMME 4: FINANCIAL GOVERNANCE

The role of this programme is to promote accountability through substantive reflection of financial activities of the province as well as compliance with financial norms and standards. The programme is allocated **R30.011 million**.

Accounting Services

Honourable Speaker, when the sixth administration took office the audit outcomes for provincial departments and entities were not promising. Today, we can report that the audit outcomes steadily improved from the 2018/2019 financial year. However, we are still not satisfied with the overall status, and we are committed to work harder to improve it even further.

In the previous financial year, we reported that during the 2017/2018 financial year the province had one entity with an adverse audit opinion and three departments with disclaimed audit opinions and no clean audits.

Honourable Speaker, we now have four “clean audits” in the Free State. Provincial Treasury and COGTA improved from unqualified with findings audit opinions to clean audit opinions. This is significant for us as a Province as they are both responsible for oversight and monitoring of other Departments, Entities and Municipalities. Fleet Management and Housing Fund retained their clean audits. We have also seen improvement in the Department of Social Development and the Free State Gambling, Liquor and Tourism Authority. Both improved from qualified with findings audit opinions to unqualified with findings audit opinions.

We are also encouraged by the improvement in the number of audit findings across departments and entities.

The following areas reflected the most improvement:

- Procurement management = 55% reduction in findings
- Strategic Planning and Performance Management = 42% reduction in finding
- Revenue Management = 33% reduction in findings

Honourable Speaker, poor financial management, a culture of non-compliance and a **lack of consequence management will no longer be tolerated in this province**. Good financial governance is necessary to ensure that public funds and financial assets and liabilities are managed

transparently, accountably and with integrity in the interest of government's goals and objectives. We will therefore continue with our monitoring and oversight activities to promote financial accountability in provincial departments and entities.

These activities include:

- Preparation of the Consolidated Annual Financial Statements and Annual Report thereof;
- Assessment of Interim and Draft Annual Financial Statements;
- Assessment of Monthly and Quarterly Key Performance Indicators (KCM Reporting) related to PFMA compliance;
- Assessment of remedial action plans from departments and entities related to the Audit- and Management Reports from AGSA;
- Assessment of the implementation by departments and entities of the Resolutions emanating from PROPAC;
- Assessment of requests for condonement of Irregular expenditure from departments and entities;
- Briefing of PROPAC on the Audit Outcomes and unauthorised expenditure.

Honourable Speaker, to improve on our monitoring and oversight we are in the process to develop and roll out an electronic tool for the monthly reporting and assessment of the remedial audit action plans.

Provincial Risk Management and Internal Audit

Honourable Speaker, the importance of governance structures in departments and entities cannot be overemphasised. These structures, which include risk management and internal audit units and committees, play a critical role in ensuring the effective, efficient and economical use of state resources. Therefore, as Provincial Treasury, we take our role in monitoring and supporting these structures very seriously.

On **Fraud Risk Assessment and Ethics Risk Management**, the 2022 International Anti-Fraud Awareness Week (IFAW) session was held in partnership with the Association for Certified Fraud Examiners (ACFE), NEDBANK, the Institute of Commercial Forensic Practitioners (ICFP) and the Special Investigating Unit (SIU). This is an important event in terms of creating awareness and educating departments, entities and municipalities in the province on the implementation of fraud prevention, anti-corruption strategies and promotion of professional ethics management.

Provincial Treasury provided support to all departments and entities to track the implementation of **National Anti-Corruption Strategy (NACS)**, **Lifestyle Audits (LSA)**, ethics management strategies and to follow up on implementation of lessons learned during the November 2022 IFAW Seminar.

Provincial Treasury's March 2023 assessment on the implementation of anti-fraud and corruption strategies and ethics management strategies saw a notable improvement from the previous assessment done in September 2022.

Going forward, Provincial Risk Management will continue to assess risk management maturity in departments and public entities and also assess the extent to which risk management is utilised as a tool to enhance achievement of set objectives effectively.

Our **Provincial Risk Management** will also participate in the review of the **Provincial Anti-Corruption Strategy** to ensure that there is alignment with **Provincial Anti-Fraud and Corruption Strategic documents**.

We also intend to recognise anti-fraud and corruption awareness days such as the Africa Anti-Corruption Day on 11 July, Anti-Fraud Awareness Week during the second week of November and Anti-Corruption Day on 9 December 2023.

Honourable Speaker our continued endeavours of maximising the performance of **Internal Audit** Activities, included workshops to capacitate auditors to acquire knowledge of the business processes on Supply Chain Management and Financial Management process as well as the relevant Instruction Notes. We do this in partnership with National Treasury to pilot a project of introducing a toolkit for conducting Internal

Audit Quality Assurance self-assessment and intervention meetings with top management (CEO's and CFO's) of entities, of which it yielded positive results as there were improvements from the previous assessments.

Madam Speaker, audit committees are instrumental in the improvement of sound financial management in our institutions. Departments and public entities have appointed these governance structures, which assist in the enhancement of sound governance and realising set objectives by holding management, accounting officers and chief executive officers accountable throughout the financial year.

To support these committees in executing their mandate, a Provincial Audit Committee Forum was held to strengthen the working relationships amongst stakeholders. The Premier, MECs, HODs and CFOs also attended the Forum and the Auditor-General, the Institute of Internal Auditors and the Central University of Technology were amongst the speakers.

PROGRAMME 5: MUNICIPAL FINANCE MANAGEMENT

The role of this Programme is to promote and improve the state of financial governance and management at local government level. The Programme has been allocated **R80.668 million**.

Accounting services and Asset management

Honourable Speaker, we appreciate the improvements in the most recent audit results, particularly the ones in the local municipalities of Moqhaka and Setsotso, which improved to an unqualified audit opinion. However, we cannot be oblivious to the challenges that we are still confronted with at local government level. Hence we are heeding Honourable Premier's call to upscale our oversight and monitoring to ensure that appropriate action is taken to accelerate the incremental improvement in audit outcomes. Honourable Speaker, we are equally urging our Mayors and Councils to collaborate with us in monitoring the audit process as well as to ensure that financial statements are submitted on time as per the requirements of section 126 of Municipal Finance Management Act (MFMA).

Madam Speaker, it is our quest to impact positively on the financial health of the municipalities and thus far, we have deployed financial skills to Kopanong local municipality to assist with the improvement of the municipalities' financial management environment and outstanding financial statements. Moreover, additional support will be provided

through regular engagements with municipalities to embed key principles on financial management with a view to enhance controls, processes and ultimately improve audit outcomes.

Not only will we continue to review the draft annual financial statements (AFS) of those municipalities that submit them to Provincial Treasury, we will also provide much needed support in the medium term, which entails the review and provision of technical guidance and direction on the preparation of annual financial statements and supporting information, where municipalities have prepared the Annual Financial Statements to ensure that they are GRAP and MFMA compliant.

Budget and In-Year Monitoring

Honourable Speaker, we have seen an increase in the number of funded budgets to eight municipalities during the 2022/23 municipal fiscal year, relative to the four that were funded during the 2021/22 municipal fiscal year. As part of our endeavour to reduce the number of unfunded budgets, the Municipal Finance Management Unit will amplify its assistance to the 22 delegated municipalities in an effort to strengthen their fiscal position going forward.

Provincial Treasury will further continue to monitor and improve the implementation of municipal budgets through the In-Year Monitoring (IYM) reports. These reports have been enhanced to include 13

sustainability indicators to identify municipalities that are experiencing financial challenges in order to intervene timeously.

Revenue and Debt

We have established a Municipal Revenue and Debt Management sub-programme with the purpose of providing technical support to selected municipalities to assist them in improving revenue and debt management processes and controls. This will include, amongst other, facilitating intergovernmental relations engagements across the different spheres of government on revenue and debt related matters.

We shall continue to negotiate between our municipalities and government departments in order to increase government payment for local services. We will also support municipalities in monitoring indigents registration to ensure that only qualifying households receive the free basic services provided by the equitable share. Support is also offered by training municipal officials on how to implement revenue-related policies and bylaws.

Municipal Risk Management and Internal Audit

Honourable Speaker, Provincial Treasury's Municipal Risk Management and Internal Audit unit has been instrumental in assisting all 22 municipalities to create risk management and internal audit units.

However, this has also presented difficulties, as municipalities have not been able to recruit chief risk officers/risk practitioners, chief audit executives, and internal auditors, which has affected the effectiveness and functionality of both activities negatively.

Similarly, we have also noted with concern that some of our municipalities resort to seconding their internal auditors to other units within the same municipalities and thus affect objectivity and independence of internal auditors as well as the functioning of the internal audit units. We implore our municipalities to prioritise and protect these crucial positions.

It should be noted, Madam Speaker, that both the Risk Management and the Internal Audit Committees have been established, though some of them are not currently operating as a result of the lack of appointment of independent chairpersons and members, as well as the inability of Senior Management to attend and participate in these Committee meetings.

Honourable Speaker, for the objective of empowering and exchanging best practices with municipal officials, Provincial Treasury will continue to organize and host Annual Forums as well as District Forums. The newly appointed officials as well as the members of the Risk Management and Internal Audit Committee will also participate in induction workshops led by Provincial Treasury.

Municipal Supply Chain Management

In order to reduce unwanted expenditure and enhance local government service delivery, Provincial Treasury will keep reviewing the SCM and preferential procurement policies to make sure they are compliant with the SCM regulations. Additionally, the transfer of skills through formal workshops or on-the-job training will improve the services we provide to all municipalities. The goal of doing this is to increase the capacity of the various bid committees in various municipalities. We are proud to announce that our program with National Treasury and TETA to train 54 municipal officials across the province has concluded, they are now all supply chain practitioners with training level to NQF5, congratulations to all of them.

Madame Speaker, we shall keep an eye on the execution of the strategy to reduce irregular spending by 75 per cent. Members of MPAC are also given training on SCM compliance. Additional support will also be provided on the development of procurement plans that are aligned to the budget.

Municipal Financial Recovery Services

The Municipal Financial Recovery Services (MFRS) unit plays an indispensable role in providing essential support to financially distressed municipalities. Currently, three municipalities within the Province have been placed under mandatory intervention: Mangaung Metro, Tokologolo,

and Mafube local municipalities. Additionally, Phumelela and Nketoana local municipalities have requested voluntary financial recovery plans, and they are being supported with monitoring the implementation of these plans.

The MFRS unit is not only instrumental in supporting these municipalities but also in addressing broader financial management challenges. This includes implementing the Municipal Financial Management Circular on Debt Relief, as well as aiding municipalities on complex, comprehensive, and technical financial matters to help them comply with financial management laws and regulations. The MFRS unit thus helps municipalities to navigate and deal with financial challenges, ensuring their stability and long-term success.

CONCLUSION

Honourable Speaker, in our efforts to support departments, entities and municipalities we work closely with our sister department COGTA and stakeholders such as SALGA, the AGSA and others. While we do our best to assist departments, entities and municipalities to improve their financial management practices and ultimately their audit outcomes, it remains the responsibility of those tasked with leading these institutions to take accountability and ensure that good governance practices are embedded into the operations of the institution.

Honourable Speaker, next Sunday we will be celebrating Mother's Day. Please allow me to acknowledge all our Mothers and the role that they play in shaping us as people and as citizens of our beloved province. When I talk about Mothers, I refer to every woman who raised or raises a child whether it is her biological offspring or not, and to those single dads, you may celebrate mothers day and fathers day.

Honourable Speaker, like any mother would do everything in her power to give their children a better future, it is incumbent upon us to create a better future for all. We cannot rest while poverty, unemployment and inequality remains. As Provincial Treasury, we are committed to ensure that the financial resources of the province are used effectively and efficiently to service our people and bring about socio-economic transformation to change their lives for the better.

Honourable Speaker, I must extend my appreciation to our various public and private sector partners for their continued support of the work of Provincial Treasury and the support we receive through their various corporate governance and social responsibility programmes.

As we conclude the budget votes, allow me to acknowledge and appreciate the support of the Premier, Members of the Executive Council, the Presiding Officers, Chairperson and members of the Public Accounts and Finance Committee for their support during the annual Appropriation Bill process.

BUDGET VOTE 2023/24
VOTE 4: FREE STATE PROVINCIAL TREASURY

Thank you to our organisation, the African National Congress for the continued trust and faith in the way we execute our duties.

I wish to thank the Head of Department of Provincial Treasury, Mrs Sasing, the team in my office, when I don't sleep they don't sleep as well as the senior management and every single individual in team Treasury, my family away from home, for their commitment to ensure that Provincial Treasury executes its legislative mandate.

My gratitude goes out to my dearest family and my boys, importantly to our creator for life, health and wisdom.

To you the people of the Free State Province, Honourable Speaker, Members, Ladies and Gentlemen, **I thank you.**