



# BUDGET VOTE 2021

TAKING PARLIAMENT TO THE PEOPLE



PROVINCIAL TREASURY

Hon. G. Brown

**DATE: WEDNESDAY, 31 MARCH 2021**  
**VENUE: FRANKFORT, ZOMBA SPORTS GROUND**

**THEME: "GROWING THE FREE STATE TOGETHER  
DURING THE PERIOD OF COVID-19"**



**treasury**  
Department of  
Treasury  
FREE STATE PROVINCE



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

**FREE STATE PROVINCIAL TREASURY  
2020 BUDGET VOTE SPEECH**

**31 MARCH 2021**

**Hon. Gadija Brown  
MEC for Finance**

Hon. Speaker

Hon. Premier

Members of the Executive Council

Members of the Free State Legislature

Director General of the Province

Heads of Department of the respective departments

Ladies and Gentlemen

Honourable Speaker, last year I told this august house that our vision for the next 5 years is to be an innovative and resilient partner in prudent fiscal management, socio-economic growth and service delivery. Little did we know then how our resilience would be tested? Not only that of our department, but that of government, society and every one of us.

Studies on resilience show that resilient people possess three characteristics: a staunch acceptance of reality, a deep belief, often supported by strong values, that life is meaningful and an ability to improvise.

Honourable Speaker, we are a resilient people and part of it comes from drawing strength and encouragement from the struggles fought by those who came before us. In a week's time, on 7 April, we will be celebrating the 150<sup>th</sup> anniversary of the birth of Charlotte Mannya Maxeke, the first black South African woman to obtain a science degree and was a pioneer of the women's movement and the struggle for a non-sexist society. Allow me, Honourable Speaker, to join the chorus of those paying homage to this remarkable woman of whom Former Justice of the Constitutional Court, Yvonne Mokgoro said, and I quote: *"Charlotte Maxeke was a woman who,*

*in every aspect of her life, was expressive of her extraordinary intellect, her diligence, competence, her audacity, assertiveness, patriotism, determination, courage and dedication to the highest ideals.”* Close quote. We are grateful, Honourable Speaker, for the pioneering work and inspirational leadership of trailblazers like Charlotte Maxeke and we are committed to continue their work and put all our energies into creating a better life for all.

Honourable Speaker, the budget vote that I present to the house today aims to position the department to succeed in our vision for prudent financial management, at provincial and local government level, socio-economic growth and service delivery. Whilst it acknowledges the current reality of our constraint fiscal environment, it also represents our hope for the future as we outline our plans for the 2021/22 financial year.

Provincial Treasury has been appropriated an amount of R331 491million which have been allocated as follows:

## **PROGRAMME 1: ADMINISTRATION**

The programme provides leadership and strategic management and ensures that appropriate support services are provided to all other programmes. The programme has been allocated **R113.813 million**.

Honourable Speaker, Provincial Treasury is committed to government's pursuit of a capable, ethical and developmental state and its plan to transition to a more functional and integrated government, which is capacitated with professional and responsive public servants. The Department currently employs three hundred and sixty-eight (368) officials on permanent basis, eight on contract

and five interns. Two hundred and ten (210) officials which equates to 57% of the permanent employees are women and seventy (70) officials, that is 19% are youth. This programme is key in ensuring that the department has the skills and capacity to effectively fulfill its mandate. During this financial year we will be introducing a new intake of interns and learnerships to ensure that we have young entrants into this professional environment.

Honourable Speaker I am happy to report that Provincial Treasury improved its audit outcome to an unqualified with no findings (clean) opinion in 2019/20 and we will do everything in our power to maintain it. I am also proud to say that the Department has been able to maintain its record of paying uncontested invoices from suppliers within 30 days and intends to continue to maintain it in the 2021/22 financial year.

The Department has implemented government's Revised Framework for Strategic Plans and Annual Performance Plans and have identified the outcomes we want to achieve as well as the outcome indicators and targets and the outputs we have to deliver to achieve our planned outcomes. During the review of our Annual Performance Plan we assessed our progress against the outcome indicators and whilst progress has been made against most, it has also highlighted the areas in which we have to intensify our efforts. We will continue to monitor progress with the implementation of our plans on a regular basis and implement corrective measures where necessary.

## **PROGRAMME 2: SUSTAINABLE RESOURCE MANAGEMENT**

The role of Sustainable Resource Management is to prepare the provincial budget and policy as well as to monitor the implementation thereof, to ensure that resources are spent effectively and efficiently. It also conducts socio-economic research and analysis to inform budget policy decisions.

The programme monitors and provides guidance on provincial own revenue collection as well as infrastructure management to enhance the infrastructure performance of provincial departments, improve the delivery of infrastructure projects and stimulate economic growth. The Sustainable Resource Management programme has been allocated **R53.418 million**.

### **Economic Analysis**

Honourable Speaker, the Provincial Treasury remains committed to ensuring that our budget and policy decisions remain firmly supported by evidence-based socio-economic research. To this effect, we conducted studies in the following areas in the 2020/21 financial year:

- **Causes of construction project delays in the Free State public sector.** The purpose of the study was to evaluate and rank the most significant causes of construction delays in the Free State Public Sector to raise the level of efficiencies.
- **Examining the Validity of Okun's law in the Free State Province: Asymmetric Analysis of the Unemployment-Output nexus.** This study provides a better understanding of the implementation/designing of growth-enhancing and

unemployment-reduction strategies needed to create a stable economy, as well as how to utilize fiscal tools and macroeconomic policies to raise economic activity level. It will, therefore, equip policymakers with in-depth knowledge on the nature (symmetric or asymmetric) of the underlying relationship between output growth and employment growth rate.

- **Exploring the use of social innovation in Regional Economic Development: The case of Lejweleputswa.** This study aimed to answer two critical questions: How can social innovation be used as a vehicle for economic development, and to what extent is community participation inherent in using social innovation as a vehicle to implement local economic development strategies?

We will be sharing the findings and recommendations of these studies with the Executive Council and the broader stakeholders in the 2021/22 financial year. This will form the basis for further engagements on the conceptualization, planning and implementation of provincial programmes and projects going forward.

Honourable Speaker, in the coming year we will be producing two research studies. The Department will also continue with its annual research publications, namely the **Provincial Economic Review and Outlook (PERO)** as well as the **Municipal Socio-Economic Review and Outlook (MERO)**.

Madam Speaker, evidence-based planning and decision-making is a critical policy principle for the Free State Government as it intends to improve service delivery impact in the province. The economic and socio-economic context as contained in the Provincial

Economic Review and Outlook (PERO), highlights the vibrant and unified environment within which the government is operating.

Madam Speaker, I wish to invite Members and other stakeholders to invest time to go through our PERO as it outlines the economic trends, patterns, and developments within the Free State, the plans for the government for the MTEF ahead and assist in providing pertinent information about the province. It further enables evidence-based practices and serves as an economic intelligence hub that informs the policy, planning, and budgeting processes of departments. In the same breath, MERO enables evidence-based practices and serves as an economic intelligence hub for municipalities.

Madam Speaker, unemployment is one of the major challenges facing us as a province and as a country at large. In our fight against unemployment, timely and focused statistics, as well as accompanying critical analysis, on the labour market is vitally important. We will, therefore, be producing quarterly labour market reports; called the **Quarterly Labour Market Review**, which provide an analysis of the Quarterly Labour Force Survey conducted by Statistics South Africa with a special focus on the Free State Province.

### **Provincial Own Revenue**

Honourable Speaker, during the tabling of the provincial budget on the 9<sup>th</sup> of March 2021, I emphasised that our revenue remains a critical function and funding model for the province mainly on provincial priorities. Unfortunately downward adjustments on own revenue had to be implemented as the pandemic affected the



operations of own revenue in different services offered by departments; mainly in gambling, tourist and transport sectors.

Despite this setback, the province is still committed to ensuring that all potential own revenue is collected to assist in developing and shaping our province. Provincial Treasury together with departments will strive to achieve the set targets as well as to enhance some of the existing programmes to optimise revenue in the province.

The lesson we learned from the pandemic in respect of our own revenue is that most of the services and operations had to reduce the number of clients in various sectors to comply with restrictions. As a result of that, own revenue collection declined and collection decreased. Madam Speaker, the introduction of effective systems will assist the province in enhancing own revenue with less contact of people.

Provincial Treasury will continue to monitor own revenue administrations, provide financial support and assess the procedures and processes of departments in their own collection. Different strategies and plans outlined by departments on own revenue have to be tested and various approaches have to be sourced jointly with departments to maximise own revenue. Lastly, Provincial Treasury will ensure that existing sources of own revenue, as well as controls, are improved so that they are utilised effectively.

### **Budget Management**

Honourable Speaker, the role of the Department is embedded in our Public Finance Management Act (PFMA) as far as preparations of

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

### **Public Finance and Financial Asset Management**

Madam Speaker, we remain committed to streamlining our infrastructure investment in the province. Included in this is our intention of focusing on few projects that can yield a bigger impact on service delivery and the economy of the province at large. We have also directed infrastructure delivery departments to focus on completing the existing projects and thereafter focus more on a few high-impact projects. Our infrastructure committee continues to work on these matters and we trust that in due course we will deliver high-impact infrastructure projects in the province.

Honourable Speaker, we cannot just be investing in infrastructure, we must also continue ensuring that there is relevant human resource capacity that will monitor the implementation of infrastructure projects. There must be an achievement of value for money spent in this regard. I am delighted to indicate that within Provincial Treasury we will soon strengthen our infrastructure unit in the new financial year. I must appreciate the assistance of our National Treasury for the allocation to the province in this regard. You will know, Madam Speaker, that the issue of strengthening our oversight role on infrastructure was raised by the Honourable Members of the committees; hence I am delighted to indicate that we are working towards strengthening that role.

We remain resolute in our oversight role and we will continue monitoring the implementation of programmes and projects through our various monitoring fora, which include, amongst others, bilaterals with departments, physical site inspections, and Section 32 reports.

Honourable Speaker, I have said during the tabling of the provincial budget speech ***“We remain resolute that fiscal prudence and discipline are key in unlocking the much-needed efficiency savings in the province especially during these difficult times of continuing fiscal consolidation”***. I wish to reiterate that the Provincial Treasury will continue to implement the provincial cost containment measures which would be monitored on a quarterly basis. Furthermore, we urge all departments to focus on the identification of additional efficiency savings which should be channelled towards key government priorities.

### **PROGRAMME 3: ASSET AND LIABILITIES 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. This programme is allocated **R82.733 million**.

#### **PPE Procurement**

Honourable Speaker, when the President declared a national state of disaster on the 15<sup>th</sup> of March 2020, following the World Health Organisation declaring the COVID-19 outbreak a pandemic, the Executive Council decided that the procurement of PPEs for the Free State Provincial Government must be centralised and

Provincial Treasury was given the mandate to procure on behalf of the provincial government.

The Department procured on behalf of the Provincial Government and awarded COVID-19 PPE related contracts to 117 suppliers. 1.3 Million cloth masks were procured and distributed to the respective departments and entities. Twenty local suppliers were appointed to supply the cloth masks.

PPE procurement were hand back to departments with effect from the 15<sup>th</sup> of July 2020, this requires that institutions should procure the PPE items individually as per the normal procurement process.

The Provincial Treasury procured PPEs to the value of R274.105 million from 120 suppliers. R253.151 million (92%) was spent within the Free State.

In total, the province procured PPEs to the value of R889.969 million from 383 suppliers. Of this, only R714.699 million (80%) was spent within the Free State. Sixty-two percent (62%) went to Black owned suppliers, 22% to youth owned and 21% to women owned.

Provincial Treasury has been monitoring COVID related expenditure in municipalities and thus far municipalities have collectively spent R134.467 million. The Mangaung Metropolitan Municipality has spent R66.872 million, R3.276 million was spent in the Xhariep District, R29.802 million in the Lejweleputswa District, R16.103 million in the Thabo Mofutsanyana District and R18.414 million in the Fezile Dabi District.

## **Supply Chain Management**

The advent of the COVID-19 pandemic impacted on the monitoring and oversight activities of the Department and we had to find new and innovative ways to continue to provide oversight and support departments and entities.

Provincial Treasury had to rely on monitoring departments and entities through desktop exercises and analysis of the transversal systems within Treasury.

The annual SCM Roadshow had to be postponed due to the lockdown regulations. This is an initiative implemented by the Provincial Treasury in collaboration with the National Treasury, SARS, SEDA, and the Department of Economic and Small Business Development, Tourism and Environmental Affairs to assist potential service providers in getting access to government initiatives, compilation of business plans and showing them how to get access to government tendering process. The Department intends to continue with the roadshow during this financial year, if the COVID measures permit it.

The transversal contracts arranged by the Provincial Treasury will come to an end in the 2021/22 financial year. New tenders will be invited through a competitive bidding process. This will allow new entries into the market for the different goods and services. The Preferential Procurement Regulations, 2017 allows for departments and entities to apply pre-qualification criteria in targeting certain designated groups of people in getting access to tenders.

Honourable Speaker, the Department will continue with the following oversight activities:

- Monitoring the Free State Supplier Management system rolled

out to departments and entities to address equal rotation amongst suppliers and implementing an electronic contract management system;

- Assessing deviations from normal bidding procedures to improve and better audit outcomes;
- Facilitating SCM capacity programmes within departments and entities;
- Providing in-house training to suppliers as well as SCM Practitioners within the supply chain management environment;
- Supporting potential suppliers on the Central Supplier Database (CSD) and offering and conducting sessions and support in doing business with the state; and
- Focusing on strengthening oversight on the implementation of supply chain management and asset management within departments and entities.

In support of local procurement, the Free State Provincial Treasury, together with DESTEA, are in the process of developing a strategy to ensure that the Provincial Government leverages on government procurement to support various sectors of our provincial economy and local production.

The strategy aims to, amongst other, address the issue of local manufacturers as a means to address unemployment, using government spending to help achieve socio economic targets and getting small business to compete with larger manufacturers. Critical about the strategy is that it will guide the Provincial

Government on how to ensure that there is a value chain that supports those that are investing in means of production.

### **Payment of Suppliers Within 30 Days**

Madam Speaker, the payment of suppliers within the stipulated 30 days remains a concern for the province. Provincial Treasury will continue to play an oversight role in monitoring the payment of invoices with 30 days.

Late and non-payment remains a concern and Provincial Treasury has created a platform for service providers to report outstanding payments. Service providers can register their grievances with Provincial Treasury through the grievance procedure.

### **Public-Private Partnerships (PPP)**

Honourable Speaker, I have indicated in the Provincial Budget Speech that there are a number PPP projects that the Province will work on with a view to assist in infrastructure development, job creation and increasing the province's capacity to generate own revenue.

Whilst Provincial Treasury does not identify and initiate PPP projects, we will be assisting interested departments to register PPP projects and will then play an oversight role and monitor these projects in terms of progress and risk assessment. We work closely with the National Treasury for registration and on advisory related to PPP projects.

Some of the projects that have been identified are:

- Legislature Building

- Provincial Government Building Precinct
- Bram Fischer International Airport (Airport Nodes)
- Free State Energy Entity
- Cargo Airport.

## **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 **R27.822 million**.

### **Audit Outcomes**

Honourable Speaker, the 2019/20 PFMA audit process was extremely difficult due to the impact of Covid-19. The submission date for the 2019/20 Annual Financial Statements for departments and entities were extended by the Minister of Finance from 31 May 2020 to 31 July 2020 and the finalisation of several of the 2019/20 PFMA regularity audits, which were due by 31 September 2020, have been delayed as a result of the impact of Covid-19 on the departments, entities and AGSA.

Speaker, I am happy to report that despite the challenges we were able to positively impact on the audit outcomes of the Free State Province for 2019/20. The work that was done during this period is indeed a testimony to the resilience and dedication of the personnel in Provincial Treasury.

After a year in which no department achieved a clean audit opinion, the Provincial Treasury received an Unqualified with no findings



(clean audit) opinion for the first time since 2016/17. Two auditees that had disclaimer audit opinions in the prior year improved in 2019/20 and the number of auditees with unqualified with non-compliance findings opinions increased from 6 to 7.

The total number of qualification findings in the province improved with 34% from 47 qualification findings in 2018/19 to 31 in 2019/20. The number of findings on non-compliance with legislation improved with 12% from 193 findings in 2018/19 to 169 in 2019/20.

Honourable Speaker, we are confident that the 2020/21 audit outcomes will reflect further improvement. A total number of 850 findings were raised by Financial Governance during the assessment of the Interim and Draft Financial Statements of the departments and entities, which contributes to the quality of the financial statements being submitted to AGSA by the end of the financial year.

### **Irregular expenditure**

Honourable Speaker, to reduce the accumulated Irregular Expenditure of the Province the Free State Provincial Treasury initiated an intervention project for the investigation of irregular expenditure incurred in previous years to reduce the backlog in investigations.

The project started in March 2019 with investigations in 5 departments and 1 entity. This project continued for a period of 2 years to make provision for additional irregular expenditure cases of other departments and entities to be added to the project. The contract has ended on 12 March 2021.

Madam speaker. The focus on irregular expenditure headed the anticipated results.

To enhance the existing internal controls the root causes for the transgressions were determined during the investigations and remedial controls recommended to prevent future irregular expenditure.

Honourable Speaker, consequence management is an integral part of reducing the irregular expenditure in the province and therefore each investigation report that was finalised by PwC included the names and roles of all officials involved in the procurement and payment process that led to irregular expenditure. This will allow accounting officers to consider and implement the relevant disciplinary processes through their human resource and legal units. This should also set the tone for changing the behaviour of officials when it gets to compliance with laws and regulations with procurement of goods and services.

Provincial Treasury continues to monitor the reporting of irregular expenditure by departments and entities on a monthly basis for correct classification, reporting and progress with investigations to be done by departments and entities. All submissions for condonement are evaluated to ensure compliance with the Irregular Expenditure Framework and recommendations are made to the Executive Authority for consideration.

The PAG regularly engages CFOs to report on progress in preventing irregular expenditure and in addressing the already identified and reported irregular expenditure. The PAG furthermore participates in a National Committee that is dealing with the technical aspects of irregular expenditure, which is beneficial in

escalating matters of the province for consideration by the committee.

### **Risk Management and Internal Audit**

Madam Speaker, risk management and internal audit are key components in ensuring sound financial governance in provincial government.

Risk Management and Internal Audit Systems in the departments and Public Entities are the drivers of identifying the early warnings indicators and must always perform to expected levels. The Provincial Risk Management and Internal Audit Monitoring unit in the Department therefore continues to assess compliance and effectiveness of the services provided by Risk Management and Internal Audit units of the departments and public entities.

### **Audit Committees**

Madam Speaker, the Free State Province has two systems of Audit Committees, these are Stand Alone and Shared Audit Committees for the high capacity departments. These oversight Committees are aimed at providing assurance to the stakeholders about the performance of the departments and public entities and are instrumental in assisting departments in the improvement of audit outcomes. The Department will therefore continue to provide support to these committees to ensure that their performance is optimised and effective.

Provincial Treasury is currently in the process of recruiting Shared Audit Committees in order to sustain effective oversight in the

affected departments. This process will be finalised by the end of June 2021.

### **Anti-Fraud and Corruption**

Honourable Speaker, Provincial Treasury is committed to playing its part in the fight against fraud and corruption and will continue to raise awareness and assess the fraud risk management processes of departments and entities.

Provincial Treasury will be hosting an Anti-Fraud Awareness Follow Up session, which will be attended by the chief risk officers and the fraud practitioners of the province, to ensure that the critical information, knowledge and skills gained are utilised to improve on the existing strategic fraud management documents and enhance control measures to deter possible fraudulent activities.

Madam Speaker, I am pleased to announce that the department has allocated funds to establish a panel of professional and forensic experts to ensure that early-detected fraudulent activities are investigated and consequence management actions are implemented timeously.

### **PROGRAMME 5: MUNICIPAL FINANCE MANAGEMENT**

This programme derives its mandate from Sections 5(3), 5(4), 5(7) and 5(8) of the Municipal Finance Management Act (MFMA), 2003. The key objectives of this programme is to support the National Treasury in the enforcement of MFMA compliance and promote fiscal compliance on municipal budget and budget outcomes and the reporting thereof. The programme is allocated **R53.705 million**.

Honourable Speaker, given the current state of municipalities, this programme was designed in line with the district development model format in order to cater and respond to the capacity constraints and the needs of our municipalities.

The programme is also gearing up to improve its service offerings and provide specialized support in line with the six game changers strategy adopted by the National Treasury i.e. assets, accounting services, budgets, revenue management, supply chain management and reporting (mSCOA). Honourable Speaker you will agreed that these crucial areas are key to revive our municipalities. National Treasury has already appointed advisors to provide technical support to the Provincial Treasury on the game changers.

On the recovery services we have commenced with monitoring of municipal interventions. In the Mangaung Metropolitan Municipality, four of the six financial indicators on the recovery plan (FRP) have been achieved thus far. Moreover, the Mangaung Metropolitan case study on financial recovery plan has provided the National and Provincial Treasuries with new learning areas in terms of prompting efficacy in interventions.

Madam Speaker, municipal own revenue has been on the down side, and has been further exasperated by the COVID pandemic and governance controls pitfalls. The Municipal Finance Management unit in Provincial Treasury was instrumental in the securing the previous tranche of equitable share for all municipalities in the province. Honourable Speaker, we will continue to support municipalities with funding plans to improve the funding status of municipal budget outcomes. It is imperative for both the municipal political and administrative branches to support and implement funding plans were budgets are unfunded.

The specialized focus service offerings will be enriched on accounting services, internal audit, risk management and supply chain management. Noteworthy improvements were achieved at Xhariep, Lejweleputswa and Thabo Mofutsanyana Districts and Phumelela and Ngwathe Local Municipalities on municipal audit outcomes.

Provincial Treasury remains committed to assisting municipalities in improving their financial management practices. During this cycle, the Municipal Support Programme will only provide support to deserving municipalities that show commitment and capacity to improve outcomes from both the political and administrative staff.

Honourable Speaker, whilst Provincial Treasury will continue to support municipalities, it is imperative that Municipal Councils, Municipal Managers and Chief Financial Officers take ownership of the support initiatives and ensure that they continue to build internal capacity to ensure that financial management processes and ultimately, service delivery in their respective municipalities is improved.

## **CONCLUSION**

I would like to conclude, Honourable Speaker, with the words of Charlotte Maxeke who once said: *“This work is not for ourselves. Kill that spirit of self, and do not live above the people, live with them. If you can rise, bring someone with you”*.

Honourable Speaker, we are privileged to stand on the shoulders of giants and we are committed to take up the baton to continue the race. 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 our Premier Mme Sisi Ntombela, Members of the Executive Council, the Presiding Officers and members of the Public Accounts and Finance Committee for their support during the annual Appropriation Bill process.

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

I wish to thank the Head of Department of Provincial Treasury, CEO Mahlatsi together with all of the officials, for their commitment to ensure that Provincial Treasury executes its legislative mandate.

Honourable Speaker, Members, Ladies and Gentlemen, **I thank you.**