

Honourable Speaker

Honourable Premier

Members of the Executive Council

Honourable Members of the Legislature

Distinguished Guests

Ladies and Gentlemen

Honourable Speaker,

Allow me to present the budget of Provincial Treasury for the 2009/10 financial year.

For the 2009/10 financial year, Provincial Treasury has a budget allocation of R329.5 million rand.

The budget is broken down into four programmes namely:

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| • Programme 1: Administration | R88,1m |
| • Programme 2: Sustainable Resource Management | R37,7m |
| • Programme 3: Assets, Liabilities & SCM | R123,6m |
| • Programme 4: Financial Governance | R80,1m |

The economic classification is as follows:

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|-------------------------------|---------|
| • Compensation of employees | R135,9m |
| • Goods and services | R180,1m |
| • Unauthorised expenditure | R6,5m |
| • Transfers & subsidies | R4,2m |
| • Payments for capital assets | R2,8m |

The two major cost drivers at Provincial Treasury are monies paid to the State Information Technology Agency (SITA) and Audit fees paid to the Auditor General which we pay on behalf of all government departments. The budget allocation for SITA fees is R61, 9m along with audit fees at R52m. The combined amount for these cost drivers utilises R114m (63%) of the total goods and services budget of Provincial Treasury.

During 2006/07 financial year, Provincial Treasury incurred unauthorised expenditure of R19.5m on Programme 4: Financial Governance. This amount will be paid over in equal instalments over the current Medium Term Expenditure Framework (MTEF) period.

PROGRAMME 1: ADMINISTRATION

Honourable Speaker,

The programme is broken down into various sub-programmes responsible for developing and implementing sound corporate governance systems and policies for Provincial Treasury.

Office of the MEC

This sub-programme deals with the duties and responsibilities entrusted to a Member of the Executive Council (MEC) in terms of various statutory provisions and it receives an allocation of R3.6m.

Sub-programme on Management Services

This sub-programme renders strategic leadership and administrative support to the Head of Department (HoD) and it receives an allocation of R2.9m.

Sub-programme on Corporate Services

This sub-programme receives R42, 9m and is responsible for the provision of sound records management, provision of proper communication, facilitation of employee wellness programmes as well as administering professional Human Resource Management and Human Resource Development matters.

In line with the Provincial Human Resource Development Strategy as prescribed by the Provincial Growth and Development Strategy and keeping up with our commitment to youth development, Provincial Treasury provided bursaries to youth of our Province for pursuing careers in both financial and humanities fields of study. In this financial year we have increased the number of new bursary holders to 73 students at an additional cost of R4.2m.

In the financial year 2008/2009, the Provincial Treasury afforded 50 graduates the opportunity to participate in the Treasury internship program. A number of these graduates have secured permanent employment in both the public and private sectors.

Sub-programme on Financial Management (Office of the CFO)

The office of the Chief Financial Officer receives an allocation of R38.6m to ensure proper control and management of the financial resources of the Provincial Treasury. Treasury must ensure sound financial management by aligning the budget to the Annual Performance Plan. Like all other departments, expenditure will be monitored on a monthly basis, invoices will be settled within the prescribed 30 day period, revenue collection will be in line with budget and procurement of goods and services will be needs driven.

Honourable Speaker

PROGRAMME 2: SUSTAINABLE RESOURCE MANAGEMENT

Honourable Speaker,

This programme receives an allocation of R37.7m and provides professional advice and support on provincial economic analysis, fiscal policy management, public finance development, inter-government fiscal relations, revenue collection, infrastructure oversight and championing of Infrastructure Delivery Improvement Programme (IDIP), provision of technical advice and support on Public Private Partnerships (PPPs) and the all important task of the annual budget process and its management.

This programme also assists provincial government departments in drawing up their budgets, the compiling and timeous delivery of reports as described by the Public Finance Management Act (PFMA) and the provisions of the Division of Revenue Act (DoRA).

Own revenue remains a challenge. Under the current economic situation it is necessary for the province to look at ways of increasing our own revenue to provide some of the money needed to fund the numerous needs in the province.

The challenge faced by the department with regard to generation and collection of revenue is the determination of the realistic credible revenue annual target and the collection of outstanding debts. The Provincial Treasury is currently engaging with departments to identify strategies to increase own revenue collection. Some of the discussions centre around the reviewing of the Memorandum of Understanding (MOUs) that exist between the various entities. Other initiatives in this regard entail the:

- facilitation of the implementation of the National Provincial Revenue toolkit model which is destined to improve on the credibility of the departmental budgets;

- Ensuring timeous and appropriate revision of annual rates and tariffs by Departments;
- Facilitation of outsourcing of old and huge amounts of departmental debts, especially in the Department of Roads & Transport, Department of Health, Department of Public Works and the Department of Agriculture; and
- Monitoring the timeous control and management of new debts currently occurring in departments.

Honourable Members,

In our quest to eradicate poverty, we ought to find ways of delivering services to our people in a cost effective and efficient manner.

It is on this basis that as government we must consider delivering services through Public Private Partnerships (PPP). Where the transfer of financial and operating risk to a private partner gives us an affordable, cost effective solution for a service, we must pursue it.

The use of the private sector in meeting government infrastructure backlog will benefit government to access private sector funding, technical skills and experience to deliver the services and even double the rate at which we provide such services to our people.

We, currently, face challenges in addressing the infrastructure backlog within the province and the use of PPPs can assist us in reducing that backlog. The building of the legislature and the government complex can be pursued along the PPP model.

Since the launch of the municipal PPP guidelines, we have seen an increase in municipalities registering PPP projects within the province. For instance, Lephalale and Tubatse municipalities have registered PPP projects in water and sanitation.

Provincial Treasury is rendering technical assistance to the following registered provincial and municipal PPPs: Renal Dialysis Unit, Phalaborwa Hospital PPP, Solid Waste and Water (Greater Tubatse Municipality), Waste water (Lephalale Local Municipality), Solid waste (Waterberg District Municipality), and Office accommodation (Thabazimbi Local Municipality).

Through the Infrastructure Delivery Improvement Programme (IDIP), we need to ensure that planning, budgeting and implementation processes are synergised to meet the need for infrastructure delivery in the Province.

Honourable Speaker,

This branch also deals with financial aspects of the municipalities including monitoring and the implementation of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

This component assists municipalities with financial planning and budgets, accounting and reporting, as well as compliance and capacity building. Municipalities and in particular their financial accounting and management remain a serious challenge for the Province and the co-operation between departments of Local Government and Housing and Treasury has to ensure that we give our municipalities the necessary support to display the requisite discipline in managing and accounting for their finance. This branch also analysis the key economic variables within the Province and their inter-relations and relevance to the budget. It also investigates alternative budgeting and other sources of revenue along with expenditure scenarios on selected key economic growth and social development indicators. This component has produced the Provincial Economic Review Outlook (PERO) and Socio-Economic Review Outlook (SERO), the two documents that were tabled by myself in the Legislature last week.

PROGRAMME 3: ASSETS, LIABILITIES AND PROVINCIAL SUPPLY CHAIN MANAGEMENT (ALSCM)

Honourable Speaker,

The Assets, Liabilities and Supply Chain Management programme receives an allocation of R123, 6m.

The programme aims to provide policy direction and facilitate the effective and efficient management of assets, liabilities, financial systems and provincial supply chain processes.

Accordingly, we have allocated the budget for this branch to the sub-programmes namely Asset Management, Liabilities Management, Supply Chain Management as well as Support and Interlinked Financial Systems.

The sub-programme on Assets and Liabilities facilitates the efficient management of financial and physical assets as well as liabilities in provincial government departments.

In the 2008/09 budget vote, we pointed out the challenges that the FINEST system poses and its impact on the management of our assets. We then implemented a manually operated excel-based fixed assets register as an interim measure to deal with these challenges.

To deal with our assets management and to ensure a credible register National Treasury is in the process of rolling out the IFMS within the Limpopo Province.

Honourable Speaker, Cash Flow management remains a challenge as we do not seem to be able to project accurately on our monthly spending and thereby over shoot our cash requisitions. It is only through proper planning that we can expect to spend correctly and within our budget allocations.

Honourable Speaker,

As part of its programme, this branch continuously trains officials from other departments of the Province on Asset Recording and Verifications.

Officials from other provincial government departments also received training on asset verification.

Sub-programme on Supply Chain Management

This sub-programme develops and provides guidance on Supply Chain Management (SCM) strategies that contribute to economic development as well as facilitating efficient procurement practices for all provincial government departments.

In an effort to communicate and make the business sector in particular our SMMEs aware of the business opportunities we have published thus far 45 editions of our provincial tender bulletins. We have made these bulletins available at no cost at all and accessible on the Limpopo Provincial Treasury website. A total of 183 workshops on supply chain and procurement were held in the Province which was attended by over 5500 people. The department will continue to empower our Small Medium Micro Enterprises and ensure that emerging entrepreneurs are capacitated to share in the opportunities provided by Provincial Government in the procurement of services. We remain guided by the prescripts of the Preferential procurement policies and the supply chain management processes. Broad based Black Economic Empowerment remains a priority on our agenda.

FINANCIAL GOVERNANCE

Honourable Speaker,

Financial Governance programme receives an allocation of R80.1m.

The Financial Governance and Systems Development Branch are charged with ensuring sound financial management by ensuring that proper accounting norms and policies are implemented. Some of the key focus areas for the branch are as follows:

Financial Management Capability Maturity Model

In conjunction with the National Treasury, we have concluded a financial management self-assessment using the Financial Management Capability Maturity Model in all the provincial departments. The aim was to assess the level of financial management maturity in each department and once gaps are identified in terms of

this model, necessary steps will be undertaken to close those gaps and improve our audit outcomes during this financial year.

Appointment of Audit Committee Members

Our current audit committees are nearing the end of their terms and we will be appointing new audit committee members in order to strengthen our governance environment.

Implementation of Generally Recognised Accounting Practices (GRAP) in Public entities.

Public entities have in the past used a different reporting format from that used by provincial departments. The Provincial Treasury will be rolling out GRAP in public entities for the first time in the financial year.

Risk Management

Risk management is a fairly new concept, especially within the context of the Public Sector. Risk Management in the province is faced with various challenges, including:

- Departments having established Risk Management Committees, which are yet to be fully functional
- Risk Management Strategy is in place, but yet to be implemented.
- Risk Assessment have been conducted that need to be aligned to the strategic objectives of the institution
- Skills on risk management have to be improved.

In the light of challenges highlighted Provincial Government is yet to derive the value and benefit of risk management.

The Provincial Treasury has established a Transversal Risk Management function to coordinate and provide support on risk management across provincial government and entities. The unit will during the current financial year focus on developing a standard risk assessment framework that will be used by all departments in assessing their risks and coming up with mitigating strategies.

Capacity building

One of our key responsibility as Financial Governance branch is to continuously build and increase capacity and skills within the provincial departments and entities. In order to improve financial management skills in the province, officials are trained in key programmes such as Chartered Institute of Management Accountants (CIMA), Professional qualifications and Advanced Project Management (APM) certificates. These programmes provide officials with skills in key strategic management accounting, understanding of finance, project management and skills to execute projects in time, within budget and meeting expectations.

Conclusion

Provincial Treasury can be considered to be the CFO of all the departments within the Province. It is therefore imperative that we lay a sound financial foundation for optimal performance by all departments within the Province. As the custodian of the provincial finances we must ensure a tangible connection between the provinces operations and its finances like CFOs we be enablers of value creation for the citizens of our Province. We have been told that due to the serious economic conditions we find ourselves in, that there will be no additional money available from the National fiscus to allocate to Provinces. We will have to make do with what we have.

There can therefore be no wastage and we may have to cut out and redirect our resources away from programmes that are not commensurate with our priorities. Every cent needs to be spent wisely and a tough stand must be taken against corruption, fraud and theft which only add to the misery and poverty of our people.

Honourable Speaker, let us therefore with the little we have, display a collective commitment to deliver the most and the best for all the people of our province. They deserve nothing less.