

DEPARTMENT OF FINANCE

BUDGET SPEECH

BY

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FINAL

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Introduction

Madam Speaker,

It is that time of the year again when we reflect on our achievements for the past year and put forward our strategies and programmes for achieving the objectives of the Department in the New Year.

As a back office Department, the Provincial Treasury can be compared to the engine room of a factory. The actual production happens on the factory floor, but without a properly functioning engine room, no production can take place on the factory floor.

This fact is not always evident to the clients of the business. That is why, on behalf of the management and staff of the Department of Finance, I would like to take this opportunity to thank the honourable Premier, Mrs. Molewa, for awarding the Department of Finance the prestigious Platinum Excellence Award; by going behind the factory floor to appreciate the work of the engine room staff.

It was the great Greek philosopher, Aristotle, who once said: "Excellence is not an act, it is a habit". In this vein, I want to assure the honourable Premier and the people of the North West Province that the Department of Finance will not rest on its laurels but will continue to support the provincial administration in ensuring that the financial resources of the Province are utilized for the benefit of our people.

1. HIGHLIGHTS OF THE PREVIOUS YEAR

Madam Speaker,

Before I elaborate on the objectives and programmes of the Department for the 2007/08 financial year, allow me to highlight some of the achievements of the Department in the previous year.

- The implementation of Learnerships has successfully taken off. Currently two Learnerships are running – with 10 Learners in the Public Sector Accounting Programme in the Accountant General’s Division and 18 Learners in the Internal Audit Technician Programme for Provincial Internal Audit.
- The Employee Wellness programmes have been beefed up with a fully functional clinic that attended to 824 employees and treated 301 ailments with 79 referrals to doctors and/or hospitals in the previous financial year.
- The Department also contributed directly to poverty alleviation by collecting donations during our Candle Light Memorial Service and used the proceeds to assist the Bodibe Hospice with utensils and groceries and by donating bedding, utensils and groceries to the staff at Verdwaal Hospice where, through a coordinated outreach program, we also cleaned the premises and started a vegetable garden.

- Prepared a credible and balanced provincial budget in spite of the North West Province losing more than R2 billion (Two billion Rand) per annum in equitable share resulting from the disestablishment of the cross-boundary municipalities.
- Several road shows were conducted around the Province to educate the public about the new tendering processes.
- The bid for Phase 2 of the financial management training programme focusing on non financial managers was finalized, implementation commenced in April 2007.
- The Provincial Internal Audit passed the external quality assessment conducted by the Institute of Internal Auditors in terms of the Treasury Regulations. The North West Provincial Internal Audit was the only provincial internal audit function to pass this assessment.
- For the first time, the Auditor General came to the conclusion after reviewing the internal audit activity that they would rely on the work of Provincial Internal Audit for the 2006/07 audit of Provincial Departments.
- Conducted district Chief Financial Officers forum meetings to assess the challenges regarding the preparation of the 2007/08 budgets and the readiness with regard to Generally recognized

accounting practice (GRAP) and Generally accepted municipal accounting policies (GAMAP) conversion.

- The MFMA media learning programme has shown an increase in learners from 162 to 242.
- We conducted an assessment of the Supply chain management (SCM) implementation plans at Ratlou, Ventersdorp, Kgetleng Rivier and Ramotshere Moiloa municipalities.
- The Provincial Geographic Information System central repository architecture was set up, resulting in economies of scale for the North West Provincial Administration and reducing duplication and data redundancy.
- The Provincial Project Management central repository architecture was also set up. Provincial departments are now able to manage all their projects, via the Internet in real time across the province and the country. The system will later be interfaced to ProMis (a project management reporting tool).

2. STRATEGIC FOCUS FOR 2007/08

Madam Speaker,

It is against this background of achievements in our pursuit of establishing and maintaining a sound financial management system and good corporate governance in the North West Provincial

Administration, that I present an overview of the strategic focus of the programmes of the Department for the 2007/08 financial year.

Assuming the responsibility of being the catalyst for change as far as provincial financial matters are concerned and arising from the Provincial Treasury's vision and mission, the Department will focus primarily on the following in the 2007/08 financial year:

- Improving budget planning and management by aligning its strategic objectives and proposed allocations to derive the desired outcomes;
- Implementing proper asset management by further developing and enhancing the different stages of the supply chain management process, moveable and fixed assets control, provincial public private partnerships, cash management and financial systems management;
- Managing liabilities by improving debtor management practices, creditor turnaround times, dealing with budget pressures and contingencies;
- Establishing full accounting compliance by producing consolidated financial statements and promoting substantive accrual based accounting standards and practices;

- Maintaining fiscal discipline by promoting efficient spending;
- Building capacity by effective recruitment processes within Treasury and through financial training for all financial management staff in the Province;
- Establishing structures and procedures to ensure a seamless integration between the provincial and local government spheres pertaining mainly to the implementation of the MFMA;
- Maintaining financial governance by setting norms and standards; and,
- Expanding our internal audit services to include the audit of performance information and risk management.

3. THE BUDGET FOR 2007/08

Madam Speaker,

I now present the departmental budget for the 2007/08 financial year.

The total budget for the Department for the 2007/08 financial year is R262.546 million (Two hundred and sixty two million five hundred and forty six thousand Rand) which shows an increase of 7% over the allocation for the previous year. The budget allocations for the two outer years of the MTEF period are R265.873 million (Two hundred

and sixty five million eight hundred and seventy three thousand Rand) and R278.917 million (Two hundred and seventy eight million nine hundred and seventeen thousand Rand) respectively.

The allocation of the budget to the six main programmes is as follows:

ADMINISTRATION

The objective of this Programme is to provide administrative leadership, human resource and communication support services to the Department and to build working relations with stakeholders.

In the coming year the Programme will develop strategies to enhance cohesion and shared corporate culture, maintain the performance management and development system, implement the Provincial Communications Policy Framework, develop a framework and policy for internal security and implement transformation initiatives such as the learnership programme and the employee wellness programmes.

The Programme is allocated R36.823 million (Thirty six million eight hundred and twenty three thousand Rand) in the 2007/08 financial year and R38.600 million (Thirty eight million six hundred thousand Rand) and R40.483 million (Forty million four hundred and eighty three thousand Rand) respectively in the two outer years of the MTEF period.

SUSTAINABLE RESOURCE MANAGEMENT

The Sustainable Resources Development is responsible for the development of policy guidelines and ensuring effective implementation of PFMA, consolidation and monitoring of the provincial budget and providing effective and efficient control over provincial revenue and other resources.

In the coming year the Programme will establish a new sub-programme to be called Economic Analysis in line with the framework and guidance from the National Treasury. In addition, the Programme will continue to administer the medium term revenue planning process, consolidate provincial budgets in terms of the PFMA, sustain good financial governance in the Province through proper integration of planning and budgeting, monitor expenditure and revenue implementation of infrastructure projects and conditional grants and report thereon to National Treasury.

The Programme is allocated R35.892 million (Thirty five million eight hundred and ninety two thousand Rand) for the 2007/08 financial year and R37.310 million (Thirty seven million three hundred and ten thousand Rand) and R38.812 million (Thirty eight million eight hundred and twelve thousand Rand) respectively for the two outer years of the MTEF period.

ASSET AND LIABILITIES MANAGEMENT

The role of this programme is to manage provincial assets and liabilities and to provide policy guidelines on supply chain management.

In the 2007/08 financial year the Programme will devote attention to monitoring the acquisition, maintenance and disposal of state assets by ensuring compliance with policies, rules and regulations; facilitating Public Private Partnerships by providing leadership and technical support to provincial departments; training departmental officials in supply chain management to ensure compliance with policies, legislation and best practices, and; implementation of an integrated electronic tendering and quotation system.

The budget allocation for this programme for the 2007/08 financial year is R12.316 million (Twelve million three hundred and sixteen thousand Rand). The allocations for the 2008/09 and 2009/2010 financial years are R12.024 million (Twelve million and twenty four thousand Rand) and R11.549 million (Eleven million five hundred and forty nine thousand Rand) respectively.

FINANCIAL GOVERNANCE

The Financial Governance Programme is the composite programme for the Provincial Accountant General's Office and the Provincial Internal Audit.

The Accountant General's Office is responsible for financial management and accounting services for the Province whilst Provincial Internal Audit provides transversal internal audit services to ten out of the eleven provincial departments.

In the coming year the Accountant General's Office will continue to work together with the CFO's of provincial departments to put proper financial and internal control systems in place to ensure a higher percentage of unqualified audit reports for provincial departments; establish financial norms and standards to facilitate the transition to accrual accounting; provide training in financial management and capacity building in the CFO's offices; and maintain a well functioning supplier payment system.

The Provincial Internal Audit will continue to build on the good foundation laid by expanding the focus of audit coverage, especially in performance and IT auditing; assist departments in the implementation of risk management systems as required by the Treasury Regulations and; train staff to address the general shortage of qualified internal auditors in the country. In this regard it will establish a second group of learners in the Internal Audit Technician programme.

An amount of R83.544 million (Eighty three million five hundred and forty four thousand Rand) has been allocated for this programme for the 2007/08 financial year. The budget allocations for the two outer

years of the MTEF period are R87.426 million (Eighty seven million four hundred and twenty six thousand Rand) and R91.807 million (Ninety one million eight hundred and seven thousand Rand) respectively.

MUNICIPAL FINANCIAL MANAGEMENT

The primary objective of this programme is to assist municipalities in modernizing their budgeting and financial management practices in order to maximise their capacity to deliver services to all residents, customers, users and investors. It also aims at putting in place a sound financial governance framework in all the municipalities.

This programme is now fully established and is better positioned to assist municipalities in the roll out of the Municipal Finance Management Act. In the coming year it will:

- Conduct a comprehensive Status Quo Assessment of all municipalities, in order to develop tailor-made monitoring and support programmes for each municipality.
- Provide hands on support to municipalities in the compilation of their 2007/08 operating and capital budgets, to ensure effective service delivery and sound financial management,
- Provide dedicated support to medium and low capacity municipalities to ensure the proper implementation of Generally recognized accounting practice (GRAP) and Generally accepted municipal accounting practice (GAMAP),

- Provide dedicated and focused training and capacity building programmes for municipal officials and councilors. The focus will be on the job training and skills development.
- Develop and maintain effective financial management systems to reduce the number of qualified audit reports.

The budget allocation for the 2007/08 financial year is R10.711 million (Ten million seven hundred and eleven thousand Rand) and, R13.138 million (Thirteen million one hundred and thirty eight thousand Rand) and R13.542 million (Thirteen million five hundred and forty two thousand Rand) in the two outer years of the MTEF period respectively.

INFORMATION TECHNOLOGY

The key responsibility of this programme is to offer information technology strategic direction in the North West Provincial Administration by providing information technology solutions. These include development and maintenance of enterprise applications, management and support of network services and architecture, database and data storage, information and communication technology (ICT) security, mainframe and server systems, and provision of E-government services.

In the coming year, this Programme will ensure that ICT investments are in alignment with the Provincial Master Systems Plan; establish User Groups for Core Products; identify North West Provincial Administration's outsourcing needs and negotiate and measure vendors contractual performances in support of Government's service delivery; develop and implement software solution in support of the information needs of the Provincial Administration; ensure the confidentiality, integrity and availability of Government information assets; ensure that the network architecture has the capabilities to sustain current and future volume of data and applications in the Provincial Administration; ensure sufficient storage capacity is maintained for current and future data and applications; develop and implement user training programmes for products and services provided by Central IT and; create an internal environment that facilitates an open system of communication within the Directorate.

The budget allocation for this division for carrying out its programmes is R83.260 million (Eighty three million two hundred and sixty thousand Rand) for the 2007/08 financial year. The corresponding allocations for the two outer years of the MTEF period are R77.375 million (Seventy seven million three hundred and seventy five thousand Rand) and R82.724 million (Eighty two million seven hundred and twenty four thousand Rand) respectively.

4. CONCLUSION

Madam Speaker,

Madam Speaker, before I conclude permit me to acknowledge the contribution of the Chairperson of the Provincial Audit Committee to the growth and development of the internal audit function in the Province. Mr. Jeff van Rooyen has been the chairperson of the Provincial Audit Committee since its inception in 2001. He served the Committee with dedication and without asking for any remuneration for 6 years. Mr. van Rooyen tendered his resignation as the chairperson and member of the Provincial Audit Committee in February this year due to other international commitments. On behalf of the North West Provincial Government I wish to express our gratitude to Mr. van Rooyen and his Committee for excellent work done.

Finally, allow me to thank and pay special tribute to Mr Geo Paul, senior managers and the entire staff affectionately called “Team Finance”, by stealing a leaf from Sir Harry Lander’s story he used to tell of the street Lamp Lighter in the village where he grew up. This was the period before the advent of electricity.

The old man would make his rounds with a ladder and his lighter.

He would put the ladder against the post, climb up and light the lamp, climb down again and move to the next lamp. He would repeat this procedure, lamp post after lamp post the entire street.

After a while, he would be out of sight, so you couldn't see him anymore, but you could always see which way he had gone from the lamps he had lit.

What is the moral of this story?

I believe that this is the greatest tribute that any of us can receive from our fellow citizens. Mr. Geo Paul, Senior Managers and Staff of the Department of Finance, it is my earnest hope that some of the work that we have done as a collective during the past 20 months will light a lamp in your hearts, but more important, that as you walk down the road of life, people will follow your course in the light of the lamps that you will have left for them, to follow.

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BAIE DANKIE

I THANK YOU