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MEC FOR FINANCE

BUDGET VOTE 7

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BUDGET VOTE SPEECH 2010/11

Hon Speaker Maloyi

Hon Premier Modiselle

Hon Members of the Executive Council

Hon Members of the Provincial Legislature

Hon Mayors, Speakers and Councillors, and distinguished Guests

It is one year after the 4th democratic, inclusive and peaceful elections that our country has held. Therefore, we need to reflect on what we have achieved on our journey of previous financial year. At the time when we took office, the global economic situation was in a terrible state and no one could estimate how long the recession would last. Our country was also negatively affected by this recession. That situation impacted immensely on different economic sectors and income groups and led to huge job losses and huge decline in government revenue.

It hit us at a time when the ruling party looked forward to the improvement of the lives of the majority of South African citizens in particular the poor who cannot make ends meet. What is weird is that the recession was not prompted by the developing countries weaknesses or recklessness whereas they would be the ones to struggle to receive World Bank loans with minimum conditions. It is also vital that during such times when we borrow funds it must be for stimulation of the economy and not repayment of debts on current expenditure.

Like other developing countries, the economic influenza that affected developed countries, impact negatively on countries that are dependent on primary resources for economic growth. We must also comment our government for implementing the National Credit Act to regulate or curb reckless lending business before the start of recession. In the absence of the implementation of this act, the recession would have had devastating impact on the economy.

For the twelve months ended December 2009, the total value of credit granted amount to R219, 25billion when compared to 2008 which was R312,64 billion, representing a decrease of R93,40 billion (29,87%) in credit granted. The outstanding debtors' book declined by 0, 08%.

In the press release of May 2010 by the National Credit Regular released the report titled "Employees beware: Debt is an insidious trap", ke gore badiri lemogang gore sekoloto ke serai se se bogale. It is indicated that there are over R18 million credit active consumers, of these 45% have impaired records and 170 000 consumers have applied for debt counseling. Therefore, consumers need to exercise extra caution in handling their finances. I fully agree that it is definitely time to settle old debts, drastically reduce new ones and control budgets with a firm hand.

Employment figures year on year comparison (Q1:2009 to Q1:2010) show that Gauteng, North West and Kwa-Zulu Natal were the hardest hit by the recession. Gauteng recorded 327 000 job losses, North West recorded 108 000 and Kwa-Zulu Natal 96 000 of the 833 000 job losses. With the year on year change, national picture is at -6.1, North West being the highest at -12.2 followed by Gauteng at -8.1. More men than women are employed although women are the majority of the population.

With regard to CPI, transport index increased by 1.2% between March and April 2010 due to the 49 cents per litre increase in the price of petrol, the annual rate decreased from 4.2% in March 2010 to 4.0% in April 2010. North West at 4, 0% is one of the provinces with annual inflation rate lower than headline inflation of 4. 8%. There is a sign of relief out of the recession although it is still early to guarantee the end of the recession because the global economy is still struggling to recover.

During the first year of this term of government we were faced with serious challenges. Amongst them were the roads funds that became exhausted within three months of the financial year. Fortunately, we managed to get additional funds for that department to pay its dues. This intervention assisted to clear the pessimism that the provincial government was not in a position to complete the FIFA protocol route of Sun City to Boshhoek before the commencement of the World Cup soccer tournament. We also managed to source additional funds for the Department of Health for pharmaceuticals and laboratory services.

CHALLENGES

We need to finalize the review of the departmental organizational structure very soon in order to fill vacant budgeted posts with the aim of strengthening the capacity of the Provincial Treasury.

The department is unable to retain the quality staff members we have in our employment. Despite this fact, we have become a breeding ground for both the public and private sector recruitment.

With the minimal resources we have at our disposal, we will be expected to maximize our support, monitoring and oversight role over departments and municipalities. We are also expected to close the chapter around the Tribal and Trust Accounts in a transparent and objective manner .Ke itse sentle gore kgang eno ke tlhoba boroko go Magosi a rona , segolo jang go bao ba senang letseno le le itsetsepetseng go ka direla merafe tsa bona.

ACHIEVEMENTS

Hon Speaker, I would like to reflect on some of our achievements of the previous financial year. The department obtained an unqualified audit opinion for 8 years in succession. We are also conscious of our responsibility as Treasury to assist departments, public entities or

institutions and municipalities to also obtain unqualified audit opinions as we implement Operation Clean Audit by 2014.

We are therefore compelled by legislation to provide support to departments to improve the efficient and effective management of their resources. We are also obliged to maintain a close and vibrant working relationship with the Office of the Auditor General and the Provincial Audit Committee.

Amidst the global recession, we managed to accelerate revenue collection from R584 million in 2008 to R624million in 2009, which is 7% collection above target .We have successfully completed the appointment of Provincial Bankers to look after the Provincial Revenue Fund. The process led to the devolution of banking services to various departments to manage their own budgets as a result of the migration from WALKER Financial System to Basic Accounting System (BAS) on the 1ST April 2010 as promised during the previous financial year.

The introduction of the BAS in our financial system gives the departments the opportunity to manage their own budgets. It will also assist departments to pay service providers within 30 days. Some people feared the introduction of BAS because they are used to WALKER system and fear change.

A ke le gopotse gore gatwe o seke wa tshoswa ke sekgoropa sa tau o sa bone tau ya sona. Cowards die many times before their actual death. Those who are scared of BAS will fail several times where they could have succeeded. A re amogeleng gore BAS e ka se boele morago mme re tla e dirisa jaaka puso yotlhe ya Aforika Borwa le diporofense tse dingwe di dira.

We continued to have collective support to municipalities with the Office of the Auditor General, National Treasury and Local Government and Traditional Affairs Department.

Through our intervention, the Office of the Auditor General conducted a workshop for all new Mayors in order for them to understand their oversight roles and responsibilities. Of the learnership and internship that we have conducted, some learners succeeded to secure employment in government and private sector. We intend to send some of the interns we have trained or those who are still unemployed to assist municipalities that struggle with financial management.

Let us now look at what has been allocated to us as a department for this financial year.

BUDGET ALLOCATION PER PROGRAMME AND STRATEGIC FOCUS 2010/11 FINANCIAL YEAR

The total budget allocated for 2010/11 financial year is at R318.727 million. The following amounts are budgeted over the medium term: R328.385 million and R385.497 million have been allocated for 2011/12 and 2012/13 respectively. The allocation of 2010/11 budget for the six main programmes is as follows:

PROGRAMME 1: ADMINISTRATION

The objective of this programme is to provide support to administrative leadership and is inclusive of designated groups' special programmes. It includes Minimum Information Security services (MISS), Human Resources, Financial Management and Communication support services to the department.

The programme has been allocated R56.228 million in the 2010/11 financial year and the programme will focus on:

Increasing capacity in this programme so that it can provide and maintain high quality support services to the office of the MEC and the Provincial Treasury in general.

It will implement learnership programs in order to reduce the plight of unemployed youth. This will go a long way in addressing the challenge of the number of unemployed youth as is reflected as follows:

According to Statistics South Africa figures for January to March 2010, figures for the unemployed is 4, 310 000, the age group of 15-24 years is 1.339 000 and the 25-34 years age group is 1.773 000. It is a challenge to the province to provide youth with skills that can help them to have or create sustainable jobs.

The implementation of MISS operational program should focus on vetting of staff at senior management level and security issues in the department as stipulated by NIA guidelines/requirements.

We will finalize the draft departmental gender plan and further refine policy on special programs and communication policy. The establishment of a special Ministry that deals with issues of women, children and the disabled by President Jacob Zuma's administration emphasizes the importance and urgency with which we must finalize this work.

We will finalise the department's organizational structure to align it with the requirements of National Treasury, DPSA and other relevant legislation. By doing so, we will migrate from being a department of Finance to a

Provincial Treasury so that we can meaningfully play our monitoring oversight role over the departments.

Organizational structure

The Provincial Treasury has for some time been operating on an organizational structure that could not handle the expanding demands of the province as well as the reporting requirements of the National Treasury. This necessitated a comprehensive review of the organizational structure in order to align it to the requirements of the National Treasury and DPSA.

Although the Provincial Treasury is undergoing a structural review and also migrated from the WALKER financial system to Basic Accounting System (BAS) on the 1st April 2010 we are confident that the province is better placed to deal with this transition.

It is hoped that this process of reviewing the structure will remain stable to enable Treasury to fulfill its constitutional mandate to address the Socio-economic challenges of the province with all departments, municipalities and other stakeholders well into the future.

However, it must be noted that departments are not moving at the same pace as expected. For example, at some point you would have one department having paid 420 service providers whilst the other registered a

nil payment. Some claim that they were not trained whereas training was conducted for all departments although some sent irrelevant people for training on BAS. As such, one cannot simply blame the system but the operators who did not expect that the province would be on BAS on the 1st of April 2010.

Honourable speaker, I want to inform this august house that my department adheres to Batho Pele principles and we have kick started the “Taking budget to the people and Implementation of Basic Accounting System campaigns with the aim of providing our people with access to information.

The first campaign started in Dr Kenneth Kaunda District on 31 May 2010. Other districts will be visited in June. We engaged community members and service providers about the budgeting processes and the newly implemented BAS system. On our engagement with the people, we are pleased to announce that the session brought light to the people about the mandate of our department and other departments.

The following are some of the issues raised:

- Service providers were worried about their outstanding payments due to the transition of WALKER to BAS.
- People requested the department to empower them with the tendering processes. I want to assure this house that the department’s Supply Chain Management has an Outreach Programme which educates the people who wants to start businesses and I am adamant that these people will be catered for in our programme

- The other issues raised concerned other departments and I have promised them that I will forward the issues with my EXCO colleagues and they will address their concerns

Some departments keep the documents of service providers for too long and not submit them on time to Provincial Treasury for capturing. For example, Moses Kotane Local municipality was kept waiting for four weeks and falsely told that Provincial Treasury did not pay for its contractors. The reality is that the documents for verification of banking details of the said companies were only submitted to Provincial Treasury after five weeks. Capturing together with disbursement of funds by Treasury took only four days after submission and money was available in the municipality's bank account.

I therefore call upon Departments to make sure that all service providers doing business with them are registered and captured with all their necessary information such as, banking details be verified with Treasury because with the new system, payments will be done only electronically. NO CHEQUES will be paid by banks. The issuing of cheques limits the effectiveness of the fight against corruption. It is possible that departments can pay within 30 days except where many service providers register at the eleventh hour.

It must as well be noted that as a department we shall continue to train our staff together with those of other departments on BAS because we have a legislative capacity building and oversight responsibility to do so.

We are also expected to internally amend and monitor Human Resource policies in line with existing Labour relations legislation.

The importance of monitoring staff performance in line with Performance Management Development System (PMDS) in order to increase productivity in the workplace cannot be overemphasized. I therefore call upon everyone who handles PMDS to be as objective as possible because subjectivity breeds mistrust amongst staff members. Do remember that subjectivity in such issues demoralizes the work force and defeats the objective of attaining productivity.

PROGRAMME 2: SUSTAINABLE RESOURCE MANAGEMENT

This programme has been allocated R46.469 million in the 2010/11 financial year

With the introduction Basic Accounting System the Provincial Treasury will then be expected to increase its monitoring role of the provincial expenditure and revenue collection. The Treasury will be relieved of managing budgets of different departments as it has to monitor the expenditure of those budgets. Nevertheless, proper integration of planning

and budgeting is still a challenge and need a lot of improvement to accelerate service delivery.

Strengthening integrated planning with the municipalities, departments and public entities can reduce a lot of duplication that results in inefficient management of resources in some instances. There is need for a great effort to be undertaken towards the implementation of this integrated approach.

Honorable Speaker, during the financial year that has just faded away, we had to operate with insufficient resources we had at our disposal. We were compelled to implement cost cutting measures across the whole provincial government to do more with less financial resources that were available to us. We managed to save R105.941million from non-core, R40 million from Confederations Cup through cost-cutting measures that were led by the Provincial Treasury.

It must be remembered that we were not allocated additional resources by National Treasury during the Adjustment Budget like it was the norm during the previous financial years when the economy was at a boom. The recession put facts bare in front of us that we have to enhance own revenue to augment the equitable share.

It is vital that we complete the process of assessing the public entities that we have in the province to avoid unnecessary duplication of roles and spending that is not well targeted, but also streamline the support or contribution towards the developmental agenda of the state. It will be suicidal to contemplate to establish new entities while we must still assess the relevance of the existing ones. Some of the entities resorted to operating parallel to government developmental agenda and their review will greatly assist the province.

The implementation of Integrated Development Improvement Plan (IDIP) has shown potential of improving the implementation and value for money spending on infrastructure development. It remains a challenge to us as Provincial Treasury to assist the departments to improve spending on capital or infrastructure grants.

This remains a challenge to the province when departments and municipalities cannot spend conditional grants whereas the province is faced with infrastructure development challenges. No developmental state can accelerate development of its rural areas without efficient infrastructure spending. Improved spending in this regard will fast track rural development over the medium and long term.

PROGRAMME 3: ASSETS AND LIABILITIES MANAGEMENT

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

The programme has been allocated an amount of R19.766 million. It deals with movable and immovable assets by ensuring compliance with policies, rules and regulations. It also deals with Public Private Partnerships (PPPs) that we have not previously taken advantage of. It therefore becomes crucial that Treasury plays an active role in the winding up the of entities such as Directorate of Entrepreneur Development (DED) and North West Housing Corporation because Treasury has a legislative responsibility to protect state assets or that these assets be disposed of in the best way that can benefit government.

The directorate is expected to train officials in supply chain management practices in all departments. Lack of training of officials or lack of capacity building will leave the process vulnerable to corruption and abuse.

It is also expected to ensure that there is a more equitable allocation of business opportunities across the province to even far flung areas. We must remember that the department is expected to guide the provincial government in procurement and supply chain management related legislation and new changes that are on the way.

It is our obligation to continue to monitor and evaluate compliance with the procurement policies. We must broaden the participation of more groups in doing business with government. Therefore, Treasury's responsibility to monitor and evaluate the impact of supply chain policies in the province in terms of job creation and poverty alleviation cannot be overemphasized.

PROGRAMME 4: FINANCIAL GOVERNANCE

This programme has been allocated R94.087 million in the 2010/11 financial year

Honorable Speaker, last year when I talked about the non-governmental accounts, that are the Tribal and Trust Accounts, little did I know that this matter has been a challenge for quite a number of years. I would like to reassure this august house that I will continue to work with the affected Dikgosi, communities and stakeholders towards the finalization of this matter. Ke rata go netefaletsa Ntlokgolo eno gore ke tla tswelera go dirisana mmogo le Segosi sa rona , merafe le bao ba nang le kgatlhego go netefatsa gore kgang eno e tlisiwe kwa bokhutlong. We are definitely going to reconcile and audit these accounts.

We will in the near future report to this house on the role that CCP will play but we are definitely going to decentralize it in order to capacitate the departments with the skills and expertise found in this unit / CCP.

Provincial Internal Audit

We have experienced challenges around loss of skills in Internal Audit and we have to develop creative ways of maintaining stability in that unit. The unit continues to provide support to the provincial government regardless of the challenges that face it.

Audit Committee

We have appointed a new Audit Committee for the province and have already implemented cluster oriented audit committees as opposed to having one centralized transversal audit committee. These clusters report to the main audit committee and this will ensure that audit committee matters are attended to by the relevant departments. This will also assist the Executing Authorities and the Legislature with information to give more attention to individual departments.

PROGRAMME 5: MUNICIPAL FINANCIAL MANAGEMENT

This programme has been allocated R18.471 million the 2010/11 financial year

Honourable Speaker, the huge challenges facing Municipalities in this province demand a hands on approach by this directorate in order to make the necessary impact in fulfilling our responsibilities as Provincial Treasury over municipalities. It should be appreciated that now the directorate

understand that they cannot make an impact in municipalities if they are 99% office based. The improved hands on approach in municipalities has revealed that there are serious challenges that lie ahead of us.

The approach has also revealed cold bare facts that there is a high vacancy rate within the budget and treasury offices in many of our municipalities. This same situation prevailed in low and high capacity municipalities during 2009, almost eleven municipalities operated without chief finance officers (CFOs) and you can guess what the situation looked like and how finances would be managed. What kind of audit report can these municipalities obtain?

This situation resulted in increased non-compliance with several provisions of MFMA and other relevant pieces of legislation that govern municipalities. It needed a huge effort on our part in a close working relationship with the Office of the Auditor General for half of municipalities' audit reports to be completed. Some audits are still outstanding for 2008/09 financial year.

Some of the challenges we faced were failure to submit reports on time and excessive reliance on consultants to compile annual reports for municipalities. It is a great worry that municipalities that obtain this service from consultants still obtain qualified and adverse audit reports. Most municipalities struggled to implement Generally Recognized Accounting

Principles (GRAP) during that financial year and an audit of old infrastructure became a huge challenge in finalizing the asset registers.

It is incumbent upon us to capacitate and redefine the role that the directorate must fulfill as outlined in legislation. We are going to utilize the R5 million that National Treasury allocated to us to build capacity within that directorate to play a meaningful role on the Turnaround strategy. Another challenge that confronts us is the increasing municipal debts and improvement of the billing systems.

We are compelled as a department to restructure this directorate although the budget allocated is low to can effectively and immediately turn around the situation but it is our obligation to provide support to municipalities. We have deployed staff to some municipalities to reduce the pressure they have in their finance department.

The fact that we have the Presidential proclamation that all our municipalities are under section 106 investigation, this situation proofs that we have huge challenges in our municipalities. The Executive Council through the Premier's Office intervened in Ngaka Modiri Molema District, Madibeng, Tswaing and Moses Kotane Municipalities by invoking section 139(1) (b) of the Constitution to create stability and improve service delivery in the affected municipalities.

PROGRAMME: 6 INFORMATION TECHNOLOGY

This programme has been allocated R83.706 million in the 2010/11 financial year

The objective of this Programme is to offer Information Communication Technology (ICT) direction to the North West Provincial Administration by providing information technology solutions.

These include development and maintenance of enterprise and communication applications, management and support of network services and architecture, database and data storage, information and communication technology (ICT) security, mainframe and server systems, and provisions of E-government services. This programme will ensure that ICT investments are aligned to the Provincial Master Systems Plan.

We need to ensure that the network architecture has the capability to sustain current and future volumes of data and applications in the provincial administration. We have to develop and implement software solutions in support of the information needs of the provincial administration; ensure the confidentiality, integrity and availability of the government information assets.

As Provincial Treasury, in doing ICT business we have to comply with legislation by signing Service Level Agreement (SLA) or Business Agreement (BA) with SITA as stipulated by the SITA act. We will finalise

the decentralization process of its functions during this year but also improve our working relations with SITA.

CONCLUSION

Hon Speaker, Minister Pravin Gordhan in a meeting with banks on 31st May 2010, an agreement was reached that includes amongst others that: banks will lower penalty fees on dishonoured debit orders, implement a standardized switching code to promote ease of switching bank accounts. These are of the actions they agreed to in order to improve services to consumers because South Africans are amongst the ones charged the highest fees globally. These actions will go a long way in reducing pressure on consumers from being charged high fees but also improve services they receive.

Hon Speaker, we at Treasury are determined to fulfill our mission. We must strengthen the fight against corruption.

Hon Speaker with only eight (8) days to go before the start of the Magnificent FIFA World Cup in our country, we must all discover the mission set out by former President Nelson Mandela, and Thabo Mbeki. Recently, as he was speaking to the Nation, President Jacob Zuma requested all of us to handle this once in a lifetime opportunity with care.

Hon Speaker, let me take this opportunity to thank all the Departmental staff, Senior Management Staff under the leadership of the HOD, my Office Support staff and my family for their unwavering support.

Let us enjoy the soccer tournament and support Bafana Bafana. A re itumeleleng metshameko ya kgwele ya dinao le go ema sethopho sa Bafana Bafana nokeng gore ba dire go tlala seatla.

The speech I have just presented is also available in Braille, puo-tekanyetso eno re e tlhagisitse le ka mokwalo wa Braille go bao ba sa kgoneng go bona.

THANK YOU

KE A LEBOGA