

NORTH WEST BUDGET VOTE 7 SPEECH

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**PRESENTED AT THE NORTH WEST PROVINCIAL LEGISLATURE
ON 28 APRIL 2011**

Hon Speaker of the Provincial Legislature,
Hon Premier of the North West Province,
Hon Members of the Executive Council,
Hon Members of the Provincial Legislature,
Hon Executive Mayors, Mayors, Speakers of Municipalities,
Chairpersons of the National and of the Provincial House of Traditional Leaders Kgosi
Maubane and Kgosi Mabe
Maapara-nkwe a gaetsho,
All members of the business, civic and religious societies,
All senior officials of departments,
Distinguished Guests and
Fellow Comrades, I send my revolutionary greetings to all in the name of our hard
earned democracy.

It is a great pleasure to present the plan of the Department of Finance for the year
2011/12. As I present our plan I will commence with the achievements, challenges, way
forward for the department and finally the budget allocations per programme.

At this moment I am compelled to quote from **Robin Sharma's book: The Monk who
sold his Ferrari** that I have been reading:

*"Every event has a purpose and every setback [has a] lesson. I have realised
that failure, whether of personal, professional or even spiritual kind is essential to
expansion. Never regret your past. Rather embrace it as the teacher that it is"*

He continues that

“There are no absolutes in life. The face of your greatest enemy might be the face of my finest friend. An event that appears to be a tragedy to one might reveal the seeds of unlimited opportunity to another. The boundaries of your life are merely creations of the self.”

The message that arises from this quotation is that every failure is a lesson, we must learn from our mistakes and that will serve as a teacher during our journey to deliver services to our people. Let us contextualise the service delivery protests that we have seen in the province to learn great lessons of governance as our democracy matures. Remember that our democracy is a teenager compared to old democracies that still have backlogs that are now part of their daily lives. Mzansi let us not destroy public property because we take ourselves backwards in terms of socio-development and access to basic services.

As a department we must learn from our mistakes, mistakes of other departments and municipalities, that crop up during the process of providing our legislative support and monitoring. This will guide our direction to improve on how best to service and support them as we work towards the achievement of clean audits and improvement of service delivery.

The challenges that we have in financial and supply chain management as provincial and local government, appear to some people like we are a province in doom. If we are optimistic, this situation might reveal the seeds of unlimited opportunity for the department and the whole province in fulfilling responsibilities outlined in chapter 3 of PFMA (Act 1 of 1999 as amended by Act 29 of 1999) to fulfil the prescripts of the Constitution.

Let us together plant the seeds of unlimited opportunity for our province in order to achieve more with the limited resources that are at our disposal, but also bring the private sector to the dining table to cooperate with us as we uplift and develop our province.

At this moment, we must acknowledge and appreciate the efforts of Premier Thandi Modise of ensuring that we bring the private sector and communities closer to government in our partnership for socio-economic development of the North West Province. It is correct that government cannot do it alone, but together we can do more to change the image of our province for sustainable economic development.

Minister of Finance, Pravin Gordhan during the tabling of the 2011 budget reminded us that we must operate within a sound fiscal framework when we implement the budget. He continued that we must also recognize that we are taking steps, on a long term growth path, decades' long transformation and expansion of our social and economic possibilities.

The challenge that we must convert into possibilities as a department is how we can pragmatically monitor effective and efficient spending by both provincial and local government. This can serve as one of the strong pillars to socio-economic development of our province.

In addition, during the State of the Province Address, the Premier reminded all of us that "we have to improve our way of doing things. We must make a determination to expedite our pace of delivering government services to our people and such determination must translate into actual improvement in the living conditions of our people."

As a department we cannot reside and take comfort in the myth that we are not at the cold face of service delivery, whereas our guidance, support and monitoring of budget expenditure is at the heart of service delivery at provincial and local government levels. Kana lefapha leno ga lena boikgethelo go thusa mafapha go tsamaisa matlole ka mokgwa o o siameng.

ACHIEVEMENTS

Hon Speaker, let me now reflect on achievements of the department for the previous financial year. We have finalised the Gender mainstreaming plan for 2010-2013 in order to ensure that gender equity and equality is given priority in the department. In an effort to simplify the implementation of this plan, we have trained 19 staff members on Diversity Management and 30 members on gender mainstreaming in the past two years. As such we have achieved our target of 33% women in management, an increase of 6%. Our disability target is at 1, 75% which is above the national average of 0, 5%.

The province registered an increase in spending at the end of the financial year. This achievement was registered through the support and leadership of Premier Modise when we insisted that active involvement of Members of the Executive Council in monitoring their own budgets will make a huge impact on the expenditure patterns of various departments.

Thank you very much Mme Tonakgolo mmogo le khuduthamaga ya gago for your commitment to actively engage your senior management to unblock low spending which compelled departments to submit invoices that were kept piling in departments without being processed, your cooperation is well appreciated. For example, departments submitted 15056 invoices for payment in March which is twice the number that is always submitted on monthly basis or 16% of all invoices submitted in that year. Your assistance came at the right time to prevent a high roll-over of funds. This action has nothing to do with the March spike that always happens at the end of the financial year.

We managed to raise R305 million through cost saving measures and collect R685 million which is 15% above the R597 million target. The hosting of FIFA Soccer World Cup could not have been a success without additional allocations that we made available from the cost saving measures efforts. We are still confident that more funds can still be made available for provincial priorities through cost saving measures.

Hon Speaker, in our effort to improve Supply Chain Management in the provincial government, we have trained and issued certificates to 26 officials from various departments on online bid committees' course in partnership with PALAMA. The majority of these graduates are in the Department of Public Works, Roads and Transport. Currently, 127 officials have been enrolled for the same course. Furthermore, 83 officials were trained on bid specifications and 143 on supplier and bid evaluation processes.

In order to increase supplier access to the provincial procurement system, 9766 suppliers were registered, accredited and activated in the provincial supplier database. Currently, a total of 13627 suppliers are active on the provincial database.

Hon Speaker, finally after many years, the Basic Accounting System (BAS) ledger was implemented in 12 provincial departments with minor challenges. Let us remember that we were the only ones in the whole country who resisted the implementation of BAS for almost nine years. Last year I made a call in this Chamber that all government officials must adopt a positive attitude when we implement BAS in order to minimise problems during the transitional phase.

Yes indeed, that positive attitude yielded the best results from a picture of doom that was painted by the prophets of doom between January and June 2010. Bravo, we finally made it to the implementation of BAS and joined the stable of the whole national and provincial governments. We will continue to train officials on the implementation of this system and departments are urged to send relevant officials who will add value to the implementation of BAS in the departments.

Regular accounting support was also provided to departments to resolve the accounting and audit issues as raised by the Auditor General. The departments were also supported to close the financial books at the end of each month and this was done to reduce audit queries at the end of the financial year.

Simultaneously, departments were also assisted to compile half-yearly financial statements in order to improve the quality of financial reporting. This support was

provided because departments will henceforth be audited on both financial statements and performance based on the budget and content of the annual performance plans (APPs) or service delivery.

We are proud to announce that at the end of the 2010/11 financial year, our department is the second in the whole country to successfully close the books for this financial year in the new BAS system. Re motlotlo jaaka lefapha go nna ba bobedi naga ka bophara go tswala dibuka tsa rona tsa matlotlo ka mokgwa o moswa wa tsamaiso ya dibuka. Through cooperation with our department, it is possible that other provincial departments will successfully close their books today regardless of the fact that we were the last province to utilise this system.

Conversion of asset registers from the old system to the new decentralized system (to departments) was done successfully. The conversion will assist the departments to manage the departmental assets on-line with the minimum requirements prescribed by National Treasury. Once all departments' asset registers are up to date, it will be easy to compile a consolidated asset register for the provincial government.

We have also improved the interaction between HOD's, CFO's and the Provincial Audit Committee in an effort to improve accounting and reporting. I must admit that at the beginning some of the HOD's and CFO's did not attend Audit meetings and address audit issues related to their departments that were raised by the committee. Cluster Audit Committees conduct this interaction on quarterly basis.

We have improved the IT network at regional distribution offices by revamping the old equipment due to demands of resource intensive systems like BAS and eNATIS. We have also introduced the self-help password reset system to improve access to mail.

Hon Speaker for the first time since 1996, we have consolidated the report on unauthorized expenditure and submitted it to the Provincial Public Accounts Committee for clearing. We hope that the Legislature will finalise the process in due course to put this matter to its final conclusion. Fruitless expenditure of the same years will be treated differently by various Portfolio Committees and relevant departments. Bagaetsho, jaaka

lo itse gore moseka-phofu ya gaabo ga a swe lentswe, ke bone go le matshwanedi gore re jaaka lefapha re kwale raporoto ka tiriso e e sa letlwang ya matlole mme re e neye komiti ya SCOPA go e sekaseka. Thanks to the Public Accounts Committee and Portfolio Committees for your cooperation and support during the process of consolidation of unauthorised expenditure.

Hon Speaker, all municipalities with the exception of Tswaing Local Municipality, compiled and adopted their 2011/12 budgets in line with national policies and regulations. This municipality only managed to table its budget on the 26th of this month and we hope that it will be adopted very soon. The department recruited and placed thirteen (13) unemployed commerce graduates at certain municipalities, for example, Ditsobotla, Ventersdorp, and Naledi for a fixed term of twelve months contracts. Some of these young professionals have already been employed by most of these municipalities.

CHALLENGES

Whilst we registered progress when we implemented legislation and fulfilled our responsibilities, we also came across challenges during the process. The reality is that challenges will always be overcome if there is willingness to treat them as such and not as huge problems or steep mountains that cannot be climbed.

Robin Sharma in the book: **The monk who sold his Ferrari**, that I earlier quoted from, reminds us that:

“The mind is a wonderful servant but a terrible master. If you have not cared for your mind and taken time to train it to focus on the good things, it will lead you astray”

Please note that challenges experienced in life present an opportunity to rejuvenate the team to focus on transforming challenges into great opportunities.

Hon Speaker, as we continue to fill vacant posts, we have lost senior managers during the same financial year, some of which were in Information Technology directorate. The process to fill these posts unfolds. We will ensure that we appoint relevantly qualified and skilled people in these positions.

The loss of managers poses a challenge to us about the effectiveness of our retention strategy and I think that we are compelled to go back to the drawing board for situation analysis. The clarion call from both the Premier and the President is that we must fill all funded vacant posts and we are definitely responding to this call.

Regardless of the challenges we face to attract relevant skills, we are by law expected to assist in developing financial capacity in various departments and municipalities. This is an obligation because most of their finance sections are filled with personnel that do not have the relevant skills.

Another challenge that we have been facing for several years is lack of regular reporting by public entities on how they spend the funds that the Legislature votes for. We are confident that the engagement process of the Executive Council with Public Entities will assist a great deal in this regard. We appreciate the approach of the Executive Council that we cannot appropriate funds to entities that cannot account on how such funds are spent.

Ga gona setheo sepe sa mmuso se se tla dirisang matlotle se sa ikarabele gope, molao o tshwanetse o tsenngwe tirisong.

BUDGET ALLOCATION PER PROGRAMME FOR 2011/12

As we commence with the new financial year, we have been allocated R331, 782 million for 2011/12, R388, 748 million and R513, 790 over the medium term.

1. ADMINISTRATION

For programme administration, we are at the final stage of finalising the organisation structure. The process was prolonged unnecessarily so but a lot of progress has been registered in the past two months after we sought for the assistance of the Office of the Premier. We will also appoint fifty interns in the department who will be distributed to various programmes to gain the necessary job experience.

The management of Learnership funds has been centralised in our department for some years. Many departments were reluctant to utilise such funds and we are now going to redistribute R18, 470 million of Learnership funds to departments because management of departmental budgets has been decentralised through the introduction of BAS Ledger System.

2. SUSTAINABLE RESOURCE MANAGEMENT

We will continue to allocate resources in an equitable manner and continue with our budget oversight. The department will update the Provincial Fiscal Policy in line with changes in Division of Revenue Act (DORA). We are compelled to continue to improve our spending and reporting on conditional grants and infrastructure development. Hon Speaker, we will repeal the North West Tender Board Act during this year. The process is already at an advanced stage.

The draft Revenue Enhancement Policy will also be finalised during this financial year. We will also develop a plan to implement the “Use it or lose it principle” in order to enforce overall fiscal discipline.

This time we have no alternative but to assist public entities in planning, budgeting and expenditure management. This process cannot be left to parent departments alone due to the challenges that we came across as the Executive.

The impact of IDIP programme is now taking effect in departments and there is more progress registered. We will continue to monitor the implementation and roll out of this programme but at the same time continue interactions with infrastructure departments and conduct onsite visits to projects.

A team appointed by both National and Provincial Treasuries has been deployed to departments that deliver on infrastructure. We will work together with the relevant departments to improve infrastructure planning and expenditure over the medium term.

3. ASSETS AND LIABILITIES

During this year, Minister of Finance, Mr Pravin Gordhan stated that: “Public procurement plays a significant part in the economy and is central to government service delivery.” Premier, Thandi Modise further elaborated that: “we need to ensure that supply chain management processes are reliable and accessible.” Consequently, we are at the final stage of the development and implementation of provincial supply chain management policy.

I earlier on reported that we will continue to train more officials from different departments on bid processes and evaluation of tenders. As part of combating corruption our policy will include the vetting of all middle and senior management, CCP officials and supply chain management officials in all provincial departments and entities. We will also finalise our proposal to the Executive Council regarding the decision that we took about the future of the Centralised Creditors Payments (CCP).

4. FINANCIAL GOVERNANCE

As part of vision 2014 Clean Audit, the process to assess the finance skills in departments is unfolding. Furthermore, the process of finalising the preparation of financial statements for Tribal and Trust accounts for the previous years will be implemented. This will include the transfer of Tribal Accounts to the Department of Local Government and Traditional Affairs. This process has presented its own

challenges as it unfolds, but we must finalise it after many years of complaints by Traditional Leaders.

With regard to Internal Audit, we will review the adequacy and effectiveness of risk management and fraud prevention policy. We will fill posts that have recently become vacant to fully capacitate the unit. As we review the work of Internal Audit and Audit Committee, regular meetings of the unit will continue to be held with HODs and CFOs to give them the opportunity report on progress regarding audit findings but also appraise Executive Authorities on the reports of their departments.

We have also taken a decision that the Audit committee will interact with MEC's as Executive Authorities of departments on quarterly basis because of the information gap that exists between MEC's and the Audit Committee. These are changes that we will introduce to make sure that MEC's monitor the implementation of issues as raised by both Internal Audit and Audit Committee. Leadership and reporting challenges in the unit denied the Executive the opportunity of receiving quarterly Audit reports. The problem has been addressed and the audit charter will include quarterly reporting by the Audit Committee to the relevant MEC's.

Hon Speaker, we are working hard to ensure that all identifiable assets are accurately reflected in the books of government to provide a complete picture of immovable and movable assets for accountability purposes. We have been providing support to departments in this regard.

With regard to the recoverability of start up loans provided by provincial government to its public entities over the previous financial years, we are currently investigating the recoverability of such loans and investments. A report will be submitted with the recommendation once the process has been concluded. Taking cue from the review of the PGDS, we have started with the establishment of a Growth Fund and will provide a detailed plan to EXCO soon.

5. MUNICIPAL FINANCE MANAGEMENT

Hon Speaker, we will finalise the plan and implementation of financial training to new Councillors and municipal officials this year. We were faced with serious challenges of more than 50% or 14 of our 24 municipalities that failed to submit financial statements on time for the 2009/10 financial year. This resulted from municipalities being unable to comply with GRAP implementation due to lack of capacity to compile the asset registers.

Most of these assets are related to water and sanitation infrastructure. Therefore, we have recently resorted to inviting the Rand Water Board to assist with the audit and compilation of credible water and sanitation assets registers. The process will unfold during this financial year although most of these municipalities' audits will not be finalised before the end of their current financial year. The major challenge results from lack of relevant skills and capacity in finance or budget and infrastructure sections of municipalities.

Madibeng Local Municipality had huge loan debt with Public Investments Commission (PIC). The loan was acquired prior 1995 and it accumulated interest that was three times the original loan because it was not serviced for many years.

With the support and cooperation of National Treasury, Department of Cooperative Governance and Traditional Affairs and the Department of Local Government and Traditional Affairs, the matter was resolved amicably and the commitment of the Municipality to service or repay the loan was revived. Some people were misled that this was an apartheid debt whereas the money came from pension funds of public servants. We assisted them in strengthening the relationship between council, business sector and communities for stability that creates an environment conducive for payment of services and for financial stability.

A great lesson that we have learned during the past financial year is that we must guide the process of appointing budget office personnel in municipalities. We must

furthermore train interns and deploy them to municipalities to capacitate budget offices with relevant skills.

It has been a huge challenge to receive credible information from some municipalities and we always submit quarterly consolidated statements late to the Legislature. Currently there is an improvement in this regard.

Hon Speaker, the schedule of the Division of Revenue 2011 omitted the new municipality of NW397 that will be formed from the merger of Molopo and Kagisano municipalities. This new municipality has been omitted from the allocation of Municipal Systems Improvement Grant. The matter has been raised with National Treasury and we hope that an allocation will be made to this poor municipality.

6. INFORMATION TECHNOLOGY

The programme will cooperate with Department of Health to give network connectivity to ten identified clinics for the distribution of anti-retrovirals. We will also connect libraries in conjunction with the Department of Sport, Arts and Culture. The unit will continue to perform comprehensive tests of the mainframe network Disaster Recovery Plan.

Let me remind this august house that for the past nine years the province could not finalise the decision to migrate to State Information Technology Agency (SITA). Therefore, we have taken up the bull by the horns by taking the decision to migrate to SITA like we did with BAS. We will also finalise the implementation plan during this financial year as per legislative requirements. We are compelled by the SITA Act to cooperate with SITA as a provincial government and the initial stages for the migration process have already begun.

The 2011/12 Budget Vote 7

1. Programme 1: Administration

R57, 246m

2. Programme 2 : Sustainable Resource Development

R49, 145m

3. Programme 3: Asset and Liabilities

R20, 742m

4. Programme 4 : Financial Governance

R96, 127m

5. Programme 5 : Municipal Finance Management

R23, 606m

6. Programme 6 : Information Technology

R84, 916m

TOTAL BUDGET = R331, 782m

CONCLUSION

Hon Speaker, let me take this opportunity to thank the Premier and EXCO, the Chairpersons of the Portfolio Committee for Provincial Affairs and Finance, Mr Howard Yawa and of Public Accounts Committee, Mr Basie Moepeng, all members of portfolio committees for assisting us with your oversight work, Senior Management under the leadership of Mr Johannes Mohlala, all the departmental staff, support staff in the Office

of the MEC and my family for their unwavering support during difficult times when I could not avail myself.

Kelebogile my daughter, tell other children at school that they must study hard, this government needs young people with relevant skills and qualifications, Pule my son, there is no time, we want your classmates to complete studies in municipal finance, and their skills are in huge demand.

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.

Ke a leboga bagaetsho
Baie dankie almal
Thanks everybody