



Member of the Executive Council
for Finance
FREE STATE PROVINCE

**FREE STATE PROVINCIAL TREASURY
BUDGET VOTE SPEECH
2022/23**

**Hon. Gadija Brown
MEC for Finance: Free State Province
12 APRIL 2022**

Hon. Speaker Me Zanele Sifuba
Deputy Speaker Me Lucy Mapena
Hon. Premier Me Sisi Ntombela
Members of the Executive Council
Member of the Legislature
Director-General of the Province
Heads of Department
Esteemed ladies and gentlemen in the house and over the virtual
platforms

Honourable Speaker, I am honoured to present this budget vote in the year when we celebrate the 110th anniversary of our beloved African National Congress, and in the month in which we commemorate and celebrate Freedom Day.

Whilst we celebrate our freedom and the progress we have made, we are also keenly aware of the challenges that remain. As so eloquently put in the January 8th Statement, "The world, our country and our organisation continue to traverse and extremely complex and challenging period, which has brought into stark relief many of the fundamental social, economic, political and psycho-social challenges and fault lines in our society".

The challenges are vast but we do not shy away from them, Honourable Speaker, because as governing party “Our mission has always been to serve the people of this great nation and to ensure that a better life for all steadily but surely becomes a lived reality. Even in this difficult environment, we can and must do more, better and faster”.

Honourable Speaker, one example of a government institution that embodies doing more with less, is the South African Revenue Service. Please join me in congratulating the Commissioner and his entire team on collecting R16.7 billion more than which was estimated. It is indeed an outstanding achievement that will assist government to reduce debt to GDP ratio and effectively serve the people of this country.

Honourable Speaker, Provincial Treasury traditionally does not render services directly to the public as we are at the centre of monitoring and conducting oversight of the provincial government’s transformation and economic development agenda. We are a support department thus during this 2022/23 financial year, Provincial Treasury has been appropriated an amount of **R317,266 million**. This represents a reduction of 4.3 percent compared to the previous financial year and it is a result of the Provincial Treasury no longer being responsible for the procurement of PPEs.

The department effectively has programmes to execute its work:

Programme 1	Administration	R113,687 million
Programme 2	Sustainable resource Management	R55,639 million
Programme 3	Asset and Liabilities Management	R62,410 million
Programme 4	Financial Governance	R29,963 million
Programme 5	Municipal Finance Management	R55,567 million
Total		R317,266 million

ADMINISTRATION

The programme is responsible for providing support services to enable all other programmes to pursue their mandates. This programme comprises of the MEC, HOD, CFO and the Finance component, Risk, Internal Audit, Corporate Services, which includes IT and communications.

- **Consequence Management**

We are building a department that reflects the government's commitment to a capable, ethical and developmental state. During

the previous financial year all cases of unauthorised, irregular and fruitless and wasteful expenditure were investigated within this department. It shows that we take compliance and adherence to laws and regulations seriously.

- **Cost of Employees**

Hon Speaker, this department has critical vacancies that has been budgeted for and are on the approved structure by the DPISA. The department will therefore be filling 32 critical vacant posts, which will significantly improve the employment rate of the department as well as our capacity to effectively execute our mandate. On the 1st of March 2022 we appointed 13 interns and 7 experiential learners in the department. This will not only provide young graduates with the opportunity to obtain practical workplace exposure but also enable the department to benefit from fresh perspectives and new ideas.

- **Innovation in Treasury**

Honourable Speaker, through our IT unit we intend to roll-out business intelligence reporting in the department during this financial year. This will enable us to share accurate reports on amongst others, government spending, 30-day payments and supplier information more easily with stakeholders.

- **Special Programmes**

Honourable Speaker, this year my office will continue with our programme to empower youth on financial literacy programmes that had to be paused during its infancy when COVID-19 struck. Going forward we will be paying special attention to young girls in rural communities. Financial literacy will not only help our future generation to understand how money is made but also empower them to make smart lending, investing, savings and other financial decisions.

PROGRAMME 2: SUSTAINABLE RESOURCE MANAGEMENT

The principal role of the Sustainable Resource Management programme is to manage and prepare the provincial budget and policy as well as to monitor the implementation thereof in line with the requirements of Section 18 (1) of the Public Finance Management Act (Act No. 1 of 1999 as amended).

- **Economic Analysis**

In this financial year, we will be producing two research studies that would assist in informing our provincial budget policy decisions.

- **Research Colloquium**

I am grateful to announce that after two years in which COVID-19 restrictions prevented us from doing so, the province, together with relevant partners, will once again host the Annual Research Colloquium. This we will continue to gather the great academic minds of the province and the country to assist in providing credible papers aligned to address the socio economic challenges of the province.

- **Research Publications**

Honourable Speaker, the department will 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). The 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.

- **Provincial Own Revenue**

Honourable Speaker, it is evident from previous financial years that allocations from national government towards provinces are not sufficient to meet all the provincial service delivery demands. As a result of that, our provincial priorities are not sufficiently funded.

As a province, we are keen to stretch ourselves in ensuring that own revenue collection and management are prioritised and optimised. Provincial Treasury will continue to provide financial support to departments and funding of own revenue enhancement projects, which have the potential for spinoffs in the process. In this regard, we will continue to monitor the R13 million of the Revenue Enhancement Allocation that has been allocated to the Department of Police, Roads and Transport to enhance revenue collection and improve service delivery. Furthermore, the strategies and plans for own revenue will be monitored and assessed alongside the performance of departments aiming at enhancing their own revenue.

- **Budget Management**

Honourable Speaker, in 2021/22 we had a very robust budget process amid the challenges of COVID-19. The budget process includes amongst others, the annual Budget Workshop, Provincial Medium Term Expenditure Committee meetings with all departments and public entities and our quarterly performance review bilaterals on conditional grants, infrastructure and revenue.

- **Public Finance and Financial Asset Management**

Honourable Speaker, Provincial Treasury will continue to strengthen its oversight in terms of monitoring spending in line with the limited financial resources allocated. The implementation of provincial cost containment measures will continue to be a priority as well as identifying efficiency savings to be channelled towards key government priorities. Honourable Speaker, we should look at cost containment not as a burden but as an opportunity to explore innovative ways to do more with less.

- **Infrastructure Monitoring financial Performance**

Honourable Speaker, infrastructure investment remains key in stimulating economic growth and job creation in the province and this programme is critical in the planning and monitoring of infrastructure delivery in the province. This unit furthermore supports departments on the regulatory and implementation of Public Private Partnerships. As I had indicated in the provincial budget speech, the Free State Province will invest more than R4.5 billion on infrastructure in the current financial year. Honourable Members, there is a great need to ensure that this investment benefits mainly the people of the Free State and the Provincial Treasury is committed to ensure value for money and quality of

delivery with this provincial infrastructure investment. We are committed to ensuring that planned projects should be fast-tracked and be completed within available budgets. Madam Speaker, we are devoted to streamlining our infrastructure investment in the province by ensuring decreased cost overruns on projects enabling improved planning and project implementation, that will result in improved service delivery and job creation in the Free State Province.

- **Compensation Management**

Honourable Speaker, we will continue to curtail the growth of the provincial wage bill by ensuring that the departments appoint critical staff in line with the appropriated budget and recruitment plans. In order to attain this, we will continue to collaborate with the Office of the Premier, which is a custodian of human resources in the province. We have already encouraged departments to review their organizational structures with the aim of eradicating redundant positions, identifying excess staff and duplicated functions in the staff establishment, re-skilling, and allocating new functions to existing officials.

PROGRAMME 3: ASSET AND LIABILITIES MANAGEMENT

The Asset and Liabilities Management Programme is responsible for providing policy direction, facilitating the effective and efficient management of assets, liabilities and financial management systems.

- **Supply Chain Management**

Honourable speaker, supply chain management is an integral part of the operations of any department or entity and key to effective service delivery. It is also important that departments and entities understand the strategic importance of supply chain management and the economic and social power of the purchasing decisions that they make. These decisions should not only ensure maximum value but also give expression to government's policies and strategies and support business development. As I indicated in the Provincial Budget Speech, one of the solutions that the province is looking at to address our weak economic outlook is to prioritise local procurement in order to assist local businesses to participate fully in the value chain. Provincial Treasury will therefore continue to encourage departments and entities to ensure that its procurement, where practical and in accordance with legislative prescripts, is spent inside the province.

As Members are aware, the Constitutional Court declared the 2017 Preferential Procurement Regulations unlawful. Whilst we are awaiting the outcome of the guidance sought by the Minister of Finance on whether the Regulations remain valid unless repealed sooner, the Provincial Treasury, working through the National Treasury will continue assisting departments with exemption requests and procurement matters. Further guidance will be communicated once this matter has been finalised.

- **Supplier development**

Honourable Speaker, I am happy to report that following the past two years in which we could not have our annual Supply Chain Management education and information sharing roadshows, we are ready to roll out supplier development initiatives which include: workshops to capacitate suppliers in completion of bid documents, working with provincial departments to support suppliers with registering on the CSD, accessing tender opportunities available on the e-Tender Portal, completing bid documents and registering complaints. We also intend to work with to put supplier development programmes in place.

- **Payment of Suppliers within 30 Days**

Madam Speaker, the payment of suppliers within the stipulated 30 days has always been a concern for the province. I am pleased to report that we have seen significant improvement in this regard and we will continue to monitor the payment of invoices. We will also continue to engage departments to resolve grievances that have been received through our grievance procedure.

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.

- **Audit outcomes**

Honourable Speaker, the 2020/21 PFMA audit process was still negatively impacted by the challenges from the COVID-19 pandemic. However, despite these challenges all provincial departments, public/trading entities and other funds submitted the required documents related to the Annual Financial Statements and draft Annual Report in terms of sections 40 and 55 of the PFMA by the end of May 2021 to AGSA.

I am happy to report that the dedication and assistance from relevant units in Provincial Treasury positively impacted on the number of audit qualification/disclaimer paragraphs in the province. The number of disclaimer/qualification paragraphs reduced by 29 percent from 31 for the 2019/20 financial year to 22 for 2020/21. Furthermore, the total number of non-compliance with laws and regulations by departments and entities also reduced from 169 in 2019/20 to 161 in the 2020/21 financial year. Fleet Management received a clean audit and whilst no department received a disclaimer of audit opinion during the 2021/21 financial year, one entity unfortunately retained a disclaimer of audit opinion. Honourable Speaker on **Audit outcomes support**, considerable work has gone into improving the quality of financial statements. This includes the following:

1. Quarterly interim financial statements of all departments and bi-annual financial statements of public entities, trading entities, the Housing fund and Legislature were assessed, and detailed assessment reports were provided to accounting officers and CEOs with clear guidance on rectifications to be done.
2. Work files were simultaneously submitted to Provincial Treasury and were assessed to determine completeness in terms of the minimum requirement checklist.

3. The PAG held virtual meetings where departments and entities were requested to report on the status of resolving prior year uncorrected misstatements; progress on the implementation of the audit remedial action plan and risks/red flags for the 2020/21 audit.
4. One-on-one training was provided on request
5. Reconciliation was performed between departments and the Provincial Revenue Fund to detect material misstatements.
6. Assessed classification of irregular and fruitless and wasteful expenditure reported by departments.
7. A monthly report is submitted to the MEC: Finance where-after letters were forwarded to Executive Authorities for intervention, if required.
8. Guidance was provided in the form of Provincial Treasury Instruction notes 64, 65 (including amendments) and 74 in respect of preparation for year-end closure and preparation of the 2020/21 Annual Financial Statements.
9. Draft AFS and work files of all departments and entities were assessed and detailed assessment reports were provided to accounting officers and CEOs by 24 May 2021 to allow time for the consideration of the findings and rectifications before the submission of the unaudited AFS which had to be submitted to AGSA and Provincial Treasury by the end of May 2021.

10. Final verification meetings (virtual) were held with the departments and entities (CFOs and compilers of the AFS) from 26 – 28 May 2021 to confirm whether the findings of the Provincial Treasury have been addressed, the outstanding/incomplete supporting documents have been placed on the work file and differences found between the WORD and Excel AFS templates have been rectified.
11. A total of 698 findings, which includes new and repeated findings, were raised with the assessment of the **departments'** 2020/21 financial statements (IFS and draft AFS). 675 of the 698 (97%) findings were resolved with the submission of the unaudited AFS to the AGSA.
12. A total of 275 findings, which include new and repeated findings, were raised with the assessment of the **entities'** 2020/21 financial statements (Bi-Annual FS and draft AFS). 229 of the 275 (83%) findings were resolved with the submission of the unaudited AFS to the AGSA.
13. In total 973 findings were raised by Financial Governance with the assessment of interim and draft annual financial statements for the 2020/21 financial year. 904 (93%) of these findings were resolved by departments and entities by the end of the 2020/21

financial year which contributed to the quality of the financial statements being submitted to AGSA.

14. 10 Departments and 2 Trading Entities submitted journals to be processed based on Provincial Treasury's assessments and AGSA preliminary findings. The importance of the processing of these journals was to improve the completeness and accuracy of the Financial Statements submitted to AGSA and Provincial Treasury by end of May 2021.
15. Assessment reports were also forwarded to Chief Audit Executives and Chairpersons of Audit Committees for their information and enhancement of their oversight role. Honourable Speaker, good financial governance is necessary to ensure that public funds and financial assets and liabilities are managed transparently, accountably and with integrity in the interest of government's goals and objectives. We will therefore continue with our monitoring and oversight activities in this regard.

- **Risk Management and Internal Audit**

In ensuring that there is compliance and effective governance systems in the provincial government, all departments and public entities have established a system of Risk Management and Internal Audit, which assisted them with the attainment of set objectives.

Provincial Treasury will continue to assess the adequacy, compliance and effectiveness of Risk Management strategies and Internal Audit activities within the province and proactively report to the Accounting Officers, Chief Executive Officers, Accounting Authorities and Executive Authorities. **Risk Management Committees and Audit Committees** These committees are instrumental in the improvement of sound financial management in our institutions. Departments and public entities have appointed these governance structures to assist in enhancing sound governance.

As part of ensuring that Audit Committee services are enhanced and professionalised, Provincial Treasury facilitated the appointment of the following Shared Audit Committees in October 2021:

- Office of the Premier together with Provincial Treasury;
- Public Works and Infrastructure together with Police, Roads and Transport; and
- Social Development together with Sport, Arts, Culture and Recreation.

- **Corruption**

Provincial Treasury facilitated the rollout of the National Anti-Corruption Strategy (NACS) and Lifestyle Audits in partnership with the office of the Premier. As a result thereof, awareness sessions were held on 17 September and 17 November 2021 respectively to ensure that departments and public entities align their relevant strategic documents with the National Anti-Corruption Strategy and Lifestyle Audit strategy. Bilaterals on Anti-Fraud Awareness follow-up sessions were held from the 23rd to the 25th of March 2022 to determine the status of aligning the strategic documents to these strategies. This programme enhances the assessment methodology on Fraud and Ethics Risk Management and provides guidance on the institutionalisation of the processes together with the Office of the Premier. This will ensure that the departments and public entities have proper and effective systems of Anti-Fraud Management and Ethics Management. As part of ensuring that there are adequate processes to increase accountability and effective implementation of consequence management, in partnership with the office of the Premier, a Panel of Professional and Forensic Experts was introduced. Procurement processes are being finalised and we intend to appoint prospective service providers during the first quarter of the 2022/2023 financial year.

PROGRAMME 5: MUNICIPAL FINANCE MANAGEMENT

The Municipal Finance Management Programme provides oversight, technical support and guidance to assist municipalities in managing their financial resources. This includes **Municipal Recovery Services, Supply Chain Management Revenue and Debt Management**

On Revenue Collection - Honourable Speaker, municipalities are reliant on their own revenue for sustainability. National Government provides financial support through the Division of Revenue Act (DoRA). In the 2022 DoRA, municipalities received approximately 10 percent of allocations for Councilors and Free Basic Services on Water and Electricity. The National Treasury recommends municipalities must collect own revenue at 95 percent. However, the pandemic and the economic conditions had resulted in municipal own revenue regressing and most municipalities are in financial distress or crisis. The department will be monitoring the implementation of revenue management protocols in targeted municipalities and will be building revenue management capacity through forums, training and workshops.

- **Municipal Budget**

The Municipal Budget sub-programme will continue to focus on enhancing technical support to capacitate delegated municipalities in the preparation of multi-year budgets with the objective of improving the funding position of the delegated municipalities' budget. All municipalities have to comply with funded budgets.

- **Municipal Accounting Services**

The Municipal Accounting Services sub-programme provides technical support to municipalities on financial management in order to promote financial sustainability and to monitor compliance with the annual reporting framework. Provincial Treasury will also lead the implementation of mSCOA, within the Accounting Services sub-programme to improve financial information and the quality of the data strings.

- **Municipal Internal Audit and Risk Management sub-programme.**

Internal Audit and Risk Management sub-programmes will support municipalities to improve financial management processes and controls as well as the transfer of skills to assist municipalities in

improving their financial management practices and ultimately contribute to good practice.

- **Municipal Finance Management**

Municipal Finance Management Programme will provide specialized support and assistance to municipalities, the onus is on Municipal Councils, Municipal EXCOs, Municipal Managers and chief financial officers to leverage on these provincial initiatives to transform their municipalities into engines of effective basic services delivery, economic investment hubs and poverty reduction.

- **Municipal audit outcomes**

Honourable Speaker, whilst much work has been and will continue to be done to support municipalities, we must agree that there is still a challenge with the audit outcomes at local government level. It is, however, encouraging that we have seen a steady decrease in the number of disclaimers and adverse opinions. In the 2016/17 financial year, the province had seven disclaimers and one adverse opinion whilst in the 2019/20 financial year, there were three disclaimers. For the 2020/21 financial year, no disclaimers were recorded to date. Note should be taken that some audits are still to be finalized.

Some of the barriers to improving audit outcomes are inefficiencies in governance and institutional areas; instability in top management, resulting in late submission of AFS; poor or weak implementation of consequence management and a re-occurrence of findings, such as receivables, PPE, payables, UIF&W expenditure and performance information. Municipalities are urged to ensure timely submission of the annual financial statements and Municipal Councils should not accept late submissions of the AFS. In addition, Provincial Treasury will be engaging with municipalities during April and May 2022 to assess their readiness to submit the financial statements for the 2021/22 financial year and to assess progress on the current audit action plans. Municipalities need to ensure that progress on the implementation of the audit action plan becomes a standing item at every MAYCO and Council meeting. A strategy has been developed to work with MPAC to reduce/ eradicate unauthorised, irregular, fruitless and wasteful expenditure. The Chairpersons of MPACs will be expected to present progress on the investigation of unauthorised, irregular and fruitless and wasteful expenditure to both the MECs for Finance and COGTA. Provincial Treasury is furthermore working on the establishment of a forum, comprising of the MECs for Finance and COGTA and MMCs for Finance, that will

meet on a quarterly basis, where each municipality will present on progress on the audit action plans and UIF reduction.

- Capacity building

Honourable Speaker, you will agree that effective governance is a key driver for change and a critical factor to good governance is the ability of councillors to effectively execute their leadership and oversight responsibilities.

Provincial Treasury, in partnership with COGTA and SALGA commenced with Integrated Councillor Portfolio training from the 8th to 30th of March 2022 on the back of the Integrated Councillor Induction Programme (ICIP) in February 2022 for the newly elected councillors in order to support them in the areas of:

- Oversight Leadership in respect of key portfolio committees;
- Legislation that is applicable to Local Government;
- Municipal Budget Processes; and
- mSCOA and Service Delivery.

We applaud the initiative from COGTA, LG SETA and the Central University of Technology for a more formal training programme (NQF level 6) for councillors and the Provincial Treasury offers its

support for this programme aimed at improving governance and oversight.

Honourable Speaker, Provincial Treasury and our sister department, COGTA will embark on a provincial road show to municipalities, focusing on good governance, accountability, financial management and service delivery.

Conclusion

In conclusion, Honourable Speaker, Allow me to mention the significance of this month. The famous rivonia trial speech took place on the 20th April 1964 and it was then when the former **President Nelson Mandela** said he was willing to die for freedom in South Africa, he was also speaking on behalf of his fellow trialists.

In April 1993 we lost comrade **Chris Hani who was assassinated** a leader of the South African Communist Party and a fierce opponent of the apartheid government who said ““We need to create the pathways to give hope to our youth that they can have the opportunity through education and hard work to escape the trap of poverty”.

It is in this month that we lost Cde **Oliver Tambo** our party president who served as president between 1967 – 1991 who famously said "We are not fighting against people, we are fighting against a system."

Cde **Solomon Mahlangu** was hanged in this month and his spirit still lives on not only in the youth of this country but in all of us. Cde Mahlangu we will continue the struggle. Our mother of our nation **Mama Winnie Madikizela-Mandela** died on April 2, 2018, Mama you have multiplied in all of us. Honourable speaker, it is during this month we celebrate Freedom Day but it was also in April when the colonisers arrived in this country. On the 7 April 1936, the Representation of Natives Bill passed which effectively brought the Native Trust and Land Act, No 18 into law. It also establishes the South African Native Trust, which became the Bantu Trust and then later the Development Trust. The Act forbade 'Natives' from owning and/or purchasing land outside the stipulated reserves. 7.3% to 13%. Honourable speaker, it was in April Mama Charlotte Mannye Maxeke was born, the social and political activist who challenged unjust laws against black people and tackled patriarchy within the ANC as well as with other black solidarity movements in the early 1900s. Mma Maxeke was unmatched in her commitment to realising the freedom of her people. Her activism was not motivated by the lure of high political office and I can assure you speaker, there are many woman who

embody Mama Maxeke. It was on the 8 April Cde Helen Joseph was born, she was a South African anti-apartheid activist, aghast at the plight of black women, she played a pivotal role, along with Lillian Ngoyi, in the formation of the Federation of South African Women. With its leadership, she spearheaded a March of 20,000 women on August 9, 1956, to the Union Buildings in Pretoria to protest against the pass laws.

Honourable speaker, South Africa's first democratic elections were held between 26 and 29 April 1994

Today it is the 12 April 2022. It is in April that we complete the process of our budget votes and we begin with the new financial year. We the ANC led Free State provincial government, pledge to all our past leaders that is written and remain in history, that as a government we are committed to ensure that the financial resources of the province are used effectively and efficiently to serve our people and bring about much needed socio-economic transformation. We continue to pass the baton that you handed over to us as we serve the people of this province in your legacy dear comrades! Honourable Speaker, to all who stand in and support the ideology of our struggle, I must extend my appreciation to our various public and private sector partners for their continued support of the work

of province and the support we receive through their various corporate governance and social responsibility programmes.

Honourable speaker, allow me to acknowledge and appreciate the support of our Premier Mme Sisi Ntombela, Members of the Executive Council, the Presiding Officers, Chairperson 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 Acting Head of Department of Provincial Treasury, Ms Masechaba Sising, together with team treasury for their commitment to ensure that the department executes its legislative mandate.

In closing, Honourable Speaker governance, prudent financial management, service delivery, economic growth, development, transformation, pro poor policy, the people of this province, unemployment, poverty and inequality is not only governments business, it is all of our business. **I thank you.**