



Budget Vote SPEECH

Mr PV Mkhathshwa, MPL
MEC for Finance, Economic
Development and Tourism



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Riverside Park Government Complex
MBOMBELA

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ADDRESS BY THE MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM, MR. PV MKHATSHWA (MPL) ON BUDGET VOTE OF THE MPUMALANGA PROVINCIAL TREASURY FOR THE 2022/23 FINANCIAL YEAR

- Honourable Speaker and Deputy Speaker
- Honourable Premier Refilwe Mtshweni-Tsipane
- Colleagues in the Executive Council
- Chief Whip of the Majority Party and Leader of the Official Opposition
- Honourable Members of the Provincial Legislature
- Director-General, Head Official of Provincial Treasury, and all senior government administrators
- The leadership of trade unions
- Citizens of Mpumalanga
- Ladies and Gentlemen

It is my distinct honour to table the Budget Vote of the Provincial Treasury for the 2022/23 financial year to this August House.

We present this Budget Vote in the context of continuing difficult global economic and fiscal environment.

The International Monetary Fund postulates that most sub-Saharan countries are experiencing economic setbacks in the backdrop of the global health pandemic.

Furthermore, the ongoing geopolitical tension between Russia and Ukraine, which is continuing unabatedly, continues to have direct and dire economic impacts on the economy.

While South Africa's economy is in the recovery phase, the global phenomenon of high inflation continues to create another layer of discomfort and possible economic shocks in the short to medium term.

As a result, it has become increasingly difficult for South African consumers to buy essentials, use public transport, and afford other essentials due to rising costs which have significantly affected, in the main, the low-income households.

However, as the Provincial Government, we have an existential task to put in place key and tangible plans to mitigate these challenges and ensure the citizens of Mpumalanga are cushioned against these tensions.

As articulated during the occasion of the tabling of the Provincial Budget earlier this year, we will continue to use all available strategic levers highlighted in our Economic Recovery Plan, APP, and the Premier's State of the Province Address to address poverty, unemployment and inequality while responding to the damaging impact of COVID19 on the economy and livelihood of our people.

BUDGET MANAGEMENT

Honourable Speaker

The primary role of the Provincial Treasury is to prepare a budget that reflects the government's social and economic priorities and gives substance to the reforms and development commitments of the state.

As the custodian of the fiscal framework in the Province, the Provincial Treasury must be alive to significant risks to the fiscal outlook and promote efficiencies in managing budgets internally and throughout the administration. In this regard, we will continue to promote sustainable resource management through:

- The preparation of a provincial budget that prioritises service delivery; and
- Monitoring spending and reporting on the budget implementation in both the PFMA and MFMA institutions in the Province, amongst others.

One of the priority initiatives in the 2022/23 financial year is the expenditure reviews in selected Provincial Government Departments. The reviews will assist us to identify necessary cost control measures and support efforts to ensure spending prudence and continuity of service delivery programmes.

STAFF VERIFICATION

Honourable Speaker

Section 18 of the Public Finance Management Act, Act No. 1 of 1999, requires the Provincial Treasury to promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of provincial departments and provincial public entities.

To ensure the credibility of the provincial budget, we have embarked on the verification of the provincial government payroll covering eighty-three thousand one hundred and six (83,106) employees who are registered on the Persal System.

The principal objective of this exercise is to ensure that public funds are paid to existing personnel who are contributing to the functioning of the state. This project is anticipated to be completed in the second quarter of 2022.

OWN REVENUE COLLECTION

The Provincial revenue collection is critical to augment the service delivery programmes.

While the Provincial Revenue stream contributes 3.4 per cent of the total budget source in 2022/23, it is an important financing policy area with an excellent discretionary element that enables the government to respond to province-specific service delivery needs.

The provincial own receipts are projected to increase from 1.9 billion in 2022/23 to R2 billion in 2023/24 as the province continues to implement the Revenue Enhancement strategies.

We call upon all revenue collecting departments such as the Departments of Health and Community Safety, Security and Liaison to strengthen controls and collect as much as possible to assist the provincial government to expand the reach of the service delivery programme.

We also like to appeal to our entities, Mpumalanga Economic Regulator and Mpumalanga Tourism and Parks Agency to work together and make it possible for tourists to enjoy the scenery and spend more in our facilities while promoting responsible gambling in the Province.

INFRASTRUCTURE DELIVERY SUPPORT

One of the primary mechanisms of contributing to economic growth and improving the lived experience of the community is through investment in public infrastructure.

The Province has allocated **R14.1 billion** for new Infrastructure over the MTEF, of which **R9.01 billion** is earmarked to maintain existing public infrastructure. We are indeed taking care of our prized assets to increase their lifespan and to make a lasting impact on communities and the overall economy of the Province.

The Provincial Treasury has established a pool of industry experts to enhance the monitoring and oversight of the performance of construction projects to ensure value for money.

Variation orders

The management and implementation of variation orders in departments are an emerging risk to the fiscus, resulting in project overruns and a high cost of service delivery.

We urge all Accounting Officers to implement proper project management practices and procurement controls to prevent the likelihood of such occurrence in their institutions.

While the Treasury Regulations recognize that variation orders above a policy-determined threshold may only be submitted to the relevant treasury where good reasons exist – inadequate planning is not one of them.

All departments must ensure that projects are delivered within the approved timeframe, scope, and budget.

IMPROVING BUSINESS PROCESSES

Honourable Speaker

In order to streamline processes, and ensure efficiencies across the financial management portfolio, the Provincial Treasury initiated a business automation project, commencing with the introduction of electronic solutions for the compilation of financial statements; management of leave, and transacting and invoicing for services rendered.

Invoice system

We have successfully introduced the Invoice Tracking System to track the invoices and payment status.

The system is fully functional and utilised by all the provincial departments. Suppliers are now able to submit their invoices electronically and track the status of their payments online while departments have a proper audit trail of the invoices submitted to ensure that they pay service providers within 30 days as regulated.

Provincial Treasury will continue conducting training and awareness to ensure that all the functionalities of the suppliers' portal are utilised and that all suppliers experience the efficiency of the system.

Other sector-based digital systems

To further continue with the business process automation project this year, R100 million is allocated mainly to support the Departments of Education and Health in implementing new technologies such as e-submission and electronic health record management systems, respectively. The latter is crucial to reducing the high legal claims caused by the lack of accessible, relevant, complete and real-time records of patients for management, among others.

SUPPLY CHAIN MANAGEMENT

The Supply Chain Management (SCM) function is one of the conduits through which Government should achieve its service delivery and developmental objectives in a sustainable manner.

The SCM reforms that are currently being implemented seek to ensure that the government derive value through the public procurement processes while ensuring that the Constitutional values of fair, efficient, cost-effective, equitable and transparency are attained in the process of sourcing goods and services.

The Provincial Treasury will continue to embed transparency and integrity in the SCM value chain, and support initiatives that will enhance the public sector procurement system.

To this end, we will introduce probity audits for high-value and high-risk bids in the quest to assure the public of the integrity of the procurement value chain in the Provincial Administration.

The Provincial Treasury will also continue to explore other digital means to improve the efficiencies in the procurement value chain.

MUNICIPAL FINANCE SUPPORT

The current state of finance in our municipalities requires us to focus on improving efficiencies throughout the local government system. There is a need for a concerted effort to improve billing systems and ensure full implementation of credit control measures to address municipal cash-flow challenges. The Provincial Treasury will align its strategies with the Local Government reform agenda, which aims to ensure:

- Financial sustainability through improved fiscal discipline and funded budgets;
- Improved management across the revenue value chain; and
- Financial and business reform through the *mSCOA*

Unfunded Budgets

The unfunded budgets are the main reason for municipalities not being able to honour their financial obligations. We must be intolerant of this practice and take corrective action before it is too late.

The Provincial Treasury will continue to engage municipalities with a view to improving budget preparation and cash flow management through the mid-year budget and performance reviews; annual budget benchmark sessions, and the quarterly MUNIMEC meetings.

We want to caution municipalities once more that failure to adopt credible budgets will lead to the invocation of section 216 of the Constitution by withholding municipalities' equitable share until the municipality corrected this breach of financial management prescripts.

Bulk suppliers' debt

The increase of outstanding debt towards bulk suppliers, of which Eskom is one, is a reflection of municipalities' challenges to generate sufficient income to honour their financial obligations.

Provincial Treasury is monitoring the payment of Eskom monthly current accounts by municipalities. Municipalities are urged to ring-fence electricity revenue and to pay all electricity revenue towards their Eskom accounts.

Working together with COGTA, District Municipalities and SALGA, we will assist municipalities to develop credible payment plans for their bulk debt and support them to implement an effective system of financial management and governance to ensure their financial sustainability and viability.

Municipalities will further be assisted to improve standard operating procedures in Supply Chain Management, Asset Management; Contract Management; revenue management and ensure that budgets meet the legislative requirements.

FINANCIAL GOVERNANCE

Honourable Speaker

The Organisation for Economic Cooperation and Development (OECD) argues that *“without effective and inclusive public sector governance and institutions, development may be wasted and the prospects for economic transformation compromised”*.

To this end, the Provincial Treasury will continue to engage all the public sector institutions to entrench the value system of good governance and accountability as espoused in the Constitution and other enabling legislation.

Targeted support will be provided to assurance and governance structures to execute their legislated mandates effectively.

As part of the ongoing support, we will facilitate the development of audit improvement plans and provide quality assurance reviews to enable departments, public entities, and municipalities to address all qualifying matters in the audits of the provincial institutions.

We will further subject Internal Audit Plans for Departments, Entities and Municipalities to stringent reviews to ensure that high-risk areas identified are incorporated into the Internal Audit Plans.

There must be a realisation, though, that improving audit outcomes is the responsibility of all of us – Executive Authorities of departments and public entities, Municipal Councils, Accounting Officers, and governance structures.

We want to appeal to all governance and assurance structures to be steadfast in their assigned responsibilities by providing independent assessments and feedback on financial management and governance matters in all the institutions in the interest of the society.

CAPACITATING FINANCIAL ADMINISTRATION

A capable developmental state requires effective and coordinated institutions with knowledgeable and skilled public servants who are committed to the public good. To give effect to this priority, the Provincial Treasury in partnership with sector stakeholders continues to implement professional certification Programmes targeting officials in the financial administration in all our departments, public entities, and municipalities.

Our partnership with the South Africa Institute of Professional Accountants (SAIPA) has resulted in 15 officials being accredited as Professional Accountants in the last financial year. To further build a pool of qualified and accredited finance practitioners and accelerate work experience programmes for youth in the Province, the Provincial Treasury has enrolled thirty (30) graduates in the Public Finance Learnership Development Programme for the 2022/2023 financial year.

ALLOCATION TO PROGRAMMES

I will now highlight the allocation of budget to four programmes that will enable the implementation of the Provincial Treasury's priorities:

Programme 1: Administration is receiving **R127.8 million**

Programme 2: Sustainable Resource Management is allocated **R93.1 million**

Programme 3: Assets & Liabilities Management gets **R291.7 million**

Programme 4: Financial Governance receives **R53.8 million**

The total budget appropriated to the Provincial Treasury for the 2022/23 financial year is Five Hundred and Sixty-Six million, Five Hundred and Forty-Eight Thousand Rand (**R566 548**).

We are confident that the resources allocated will continue to help us to ensure resource management, drive fiscal discipline and promote good governance in the Province.

CONCLUSION

In conclusion, I wish to thank

- Honourable Premier **Refilwe Mtshweni-Tsipane** and the colleagues in the Executive Council for their invaluable support.
- Chairperson and Members of the Portfolio Committee for their constructive engagement on the annual performance plan.
- Head Official Ms **Gugu Mashiteng**, the management team and all officials of the Provincial Treasury for their continued support of my office and our work.

It is my pleasure to table the Budget of the Mpumalanga Provincial Treasury before the Provincial Legislature for consideration.



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