



treasury

Department of  
Treasury  
FREE STATE PROVINCE

**2015/16 PROVINCIAL TREASURY BUDGET VOTE SPEECH**  
**Elzabe Rockman, MEC for Finance**  
**19 March 2015**

Honourable Speaker;

Premier;

Members of the Executive Council;

Members of the Free State Legislature;

Executive Mayors, Mayors and MMCs responsible for Finance;

The Senior Manager: Branch Operations for the FS, NC, EC and Borders of the South African Revenue Service, Ms. Tozi Mazitshana and her team; and

Our partners in the Fraud Awareness Week, namely the Association of Certified Fraud Examiners, the Public Service Commission, Standard Bank and PriceWaterhouseCoopers

Distinguished guests;

The core business of the Provincial Treasury relates to the preparation of the provincial budget, exercising control over the implementation thereof, promoting and enforcing transparency and effective management in respect of revenue, expenditure, assets and liabilities of provincial departments and entities and to execute our assigned duties in respect of the MFMA and other relevant legislation.

We do that, honourable Speaker, not only because it is required by law, but because we are conscious of the responsibility of prudent financial management to enable us, as government, to implement our policies and plans to ensure the wellbeing of all Free Staters.

It is our role as Provincial Treasury to make sure that these cornerstones are in place for us to be able to live up to the commitment made by the President in his January 8 Statement this year, and I quote ***“Today, as South Africans, we pledge to leave no stone unturned until we have achieved economic freedom for we know that political freedom, without economic emancipation, is incomplete”***, close quote.

This budget vote speech aims to provide an overview of our performance during the current financial year as well as outlining our priorities and programmes for the 2015/16 financial year.

## **PROGRESS AND CHALLENGES IN 2014/15**

### **Audit outcomes**

Hon Speaker, the Provincial Treasury's performance is often judged against the audit outcomes of provincial and local government. It is evident from the most recent 2013/14 audit outcomes of the provincial government that financial management and accountability in the Free State has improved. This is illustrated by the following;

- Provincial Treasury obtained an unqualified with no findings ("clean audit") opinion for the 5<sup>th</sup> consecutive year;
- the Department of Sport, Arts, Culture and Recreation for the 2<sup>nd</sup> consecutive year;
- the Free State Legislature reverted back to a clean audit and
- The Departments of DE(S)TEA, Public Works and the provincial public entities of the Free State Tourism Authority, Free State Development Corporation and the Consolidated Annual Financial Statements for entities improved to an unqualified with findings audit opinion.
- The improvement is further evident as the 23 qualification findings (combined of all Departments) of 2012/13 were reduced to 9 in 2013/14. This translates to a 61% improvement.
- With regard to municipalities, we are beginning to see more significant progress in the improvement of our audit outcomes. For the 2013/14 financial year, the Naledi Local Municipality improved to a qualified opinion whilst Mangaung, Metsimaholo, Setsoto, Tokologo and CENTLEC improved to "unqualified with findings" audit opinion. In summary, our municipal audit outcomes for 2013/14 reflect the following;
  - Unqualified with findings audit opinions : 9 municipalities
  - Qualified audit outcomes : 6 municipalities
  - Disclaimer audit outcomes : 9 municipalities

### **Financial management and accountability: improvement strategies**

Hon Speaker, I am pleased to report that the Provincial Treasury's strategy to improve financial management in departments and entities registered the following improvements during the current financial year;

- 246 Annual Financial Statement matters were resolved by means of the CFO sessions introduced by the Provincial Accountant-General.
- Through the oversight done by Provincial Treasury, 230 findings on the 2013/14 draft Annual Financial Statements were rectified to improve the quality of the Annual

Financial Statements before it was submitted to the Auditor-General as per legislative requirements

- 81% of the 1<sup>st</sup> quarter Interim Financial Statement (IFS) findings were addressed in the 2<sup>nd</sup> quarter compared to the 55% in the same period of 2013/14. This represents an average improvement of 26%.
- The quality of the Annual Financial Statement (AFS) work files improved from 68% compliance in the 1<sup>st</sup> quarter to 90% in 2<sup>nd</sup> quarter of 2014/15.
- Provincial Treasury introduced bi-annual interim Financial Statements for provincial public entities during the 2014/15 financial year.

### **Fighting and combatting fraud**

Hon Speaker, the Provincial Treasury is committed to fighting fraud and corruption in the Free State in both the public and private sector. We continued our partnership with the Association of Certified Fraud Examiners, PriceWaterhouseCoopers, Standard Bank and the Public Service Commission to facilitate the annual Fraud Awareness Week.

We also extended the scope of our own activities and initiated a programme of conducting headcounts in all provincial departments to verify payrolls against physical staff. We will continue to ensure that we eliminate the possibility of payment of ghostworkers and ensure the integrity of our payroll systems. Headcounts in the Departments of Social Development and the Provincial Treasury have been completed whilst the headcount at the Department of Health is in the final completion stage. A headcount will commence at the Department of Education during the new financial year and will then be extended to the remaining departments.

### **Government employees conducting business with government**

We have previously addressed the details of matters relating to our project with regard to the comprehensive review of the centralized supplier database and the identification of conflict of interests. The relevant entities were deactivated on the centralized supplier database and LOGIS as part of our initiative to clean up our supply chain management systems.

The second phase of work is constituted by the follow-up of actual transactions that have taken place between identified service providers and the provincial government and implementing the required corrective action. The scope of work initially focussed on 5 departments, namely Education, Health, Social Development, Treasury and the Office of the Premier and we will be implementing consequence management when the findings in respect of the first 5 Departments have been finalized. The process will be extended to the remaining 6 departments in the new financial year.

## **Supply Chain Management**

Provincial Treasury has been responsible for the overhauling of our provincial supply chain environment. This includes the vetting of all officials working in SCM Units through the State Security Agency, establishing Cluster Bid Committees that will be responsible for the evaluation and adjudication of tenders in excess of R10 million and the rotation of SCM officials within and across provincial departments.

## **Audit Committees**

Hon Speaker, after considering the sterling work that was done by the Shared Audit Committees, it was deemed appropriate to re-appoint the existing members, with some reallocation of departments based on their skills base, for a new term of three years starting from 1 September 2014. Concurrence was obtained from the respective executive authorities.

Allow me, Hon. Speaker to use this opportunity to thank all the members of the audit committees for the outstanding work that they do in supporting departments to improve their internal controls and accountability.

## **Transversal contracts**

Provincial Treasury identified a number of commodities that could be procured through transversal contracts to ensure that the province capitalizes on economies of scale and ensure value for money and finalized a number of these contracts.

## **Budget and resource allocation**

Hon Speaker, the provincial government has exercised prudence, efficiency and effectiveness in the allocation of limited public resources. This was successfully attained through robust engagements such as the EXCO Lekgotla, Provincial Budget Lekgotla and the Provincial Medium Term Expenditure Committee Hearings. In addition, there were vigorous interactions with all provincial departments with the aim to ensure that the 2015 MTEF budget is firmly grounded and addresses the determined key priorities of government in line with the National Development Plan and the Medium Term Strategic Framework.

## **Support to Municipalities**

Hon. Speaker, the Provincial Treasury has adopted a more pro-active approach towards supporting municipalities in strengthening their budgeting and financial management processes. Our work in this regard feeds into the finance workstream of the Back to Basic approach, championed by the Premier and led by our sister department COGTA.

The support we provided includes:

- Monitoring and reporting on **Service Delivery Budget Implementation Plans (SDIBPS)** and providing training

- Implementing a number of initiatives focused on **revenue enhancement**. This includes the verification of indigent registers against the provincial government's PERSAL system. Through this process, a total of 81 thousand 512 indigents were assessed for the 2014/15 financial year and a total of 231 government employees were identified and removed from indigent registers.

Revenue policies were assessed for 19 municipalities and feedback were provided. We have championed the introduction of Revenue Committees in all municipalities. To date, 14 municipalities have Revenue Committees and we continue to support the establishment of Revenue Committees in the remaining municipalities.

Hon. Speaker, we assisted the Phumelela Local Municipality with debtors profiling and we identified 273 provincial government officials on the municipality's debtor's book. These government officials owe the municipality a combined debt of R 3.3 million. There should be no doubt that we will be assisting the municipality to collect this debt from government officials. We will continue to provide support to other municipalities with regard to debtors profiling.

- **CAPACITY BUILDING FOR MUNICIPAL OFFICIALS**

- **Electricity tariffs and energy losses**

Municipalities have been supported on the submission of NERSA D forms, which resulted in the province attaining a 100% submission rate. Effectively this means that there is no municipality in the Free State that does not have NERSA approval for the rate at which electricity is charged in each respective municipality. Together with NERSA, we have continued to support municipalities to deal with electricity tariffs and energy losses. We are profoundly appreciative of the ongoing support that we receive from NERSA in this regard.

- **Budgets and IYM**

All 23-delegated municipalities were supported on the technical aspects of budgets and In-year Monitoring (IYM) returns as well as on Audit Committees and oversight. We also provided supported on the Standard Chart of Accounts.

- **Minimum Competency Requirements**

Municipalities are monitored and guided to comply with minimum competency regulations for financial management.

- **AUDIT ACTION PLANS**

Provincial Treasury participated in audit technical steering committees at district and local municipalities. In addition, a provincial audit technical steering committee, which includes AGSA, COGTA and SALGA, was established to provide uniform technical support to municipalities. Together with the Office of the Auditor General, we have embarked on visits to municipalities who obtained disclaimer audit opinions and we are currently assessing audit action plans to address audit findings.

- **INTERNAL AUDIT AND RISK MANAGEMENT**

Hon. Speaker, we were able to improve the number of municipalities with internal audit units from 17 in the previous year to 23 in 2014/15. All 23 municipalities appointed audit committees and training was conducted. An Audit Committee Chairpersons' forum was also held to share best practices amongst the chairpersons. There has also been a marked improvement in the establishment of Risk Management Committees, from 5 in the previous financial year to 14 in the current financial year.

- **VAT EDUCATION PROGRAMME**

A Partnership between the Free State provincial government (Treasury, and CoGTA) and the South African Revenue Services was established to provide an education and service programme for Free State Municipalities. The purpose of the programme is to improve tax compliance and build the capacity of municipalities with the view of reducing their dependence on consultants. This programme was piloted in the Mohokare and Nketoana Local Municipalities. The pilot programme was concluded and we have subsequently agreed with SARS to roll-out the programme to all other Free State municipalities in the new financial year.

- **MUNICIPAL SUPPLY CHAIN MANAGEMENT**

Hon Speaker, our support initiatives with regard to supply chain management have included strengthening contract management, uploading information onto the Contracts Registration Administration System of National Treasury, the compilation of Annual Procurement Plans as well as facilitating accredited training on demand and contract management and bid committees. We have visited all delegated municipalities to assess the capacity of SCM units and their functionality and also assessed the SCM policies of 17 of the municipalities for compliance with the SCM Model Policy issued by National Treasury.

## **INTERVENTION IN THE DEPARTMENT OF HEALTH**

Last year we indicated that the Provincial Treasury will be implementing an intervention strategy in the Department of Health following an EXCO resolution. I am happy to report that the collaboration between the Provincial Treasury and the Department of Health in dealing with critical financial management challenges has laid the foundation for an increasingly stable financial environment. This is evident from the following;

- All financial, human resource and SCM delegations were reviewed while 13 standard operating procedures (SOPs) were developed and approved.
- The total accruals have been reduced from R1.1 billion at the beginning of the 2014/15 financial year and is projected to be at R200 million by year end. Of this, the overtime accruals have been reduced from R280 million to R28 million.

I wish to extend my appreciation to the MEC and HOD of the Department of Health, together with the senior management, for the constructive cooperation that we continue to receive as we work tirelessly to achieve the stabilization of the financial position of the Department.

## **SPECIAL PROGRAMMES**

Hon. Speaker, we are committed to not only deliver on our legislative mandate, but also to respond to our social responsibility obligations. With contributions from Treasury officials and our social partners, we were able to achieve the following during 2014;

- Our Mandela Day celebrations focussed on the Boiketlo Old Age Home and the Maloka Disabled Center in Kroonstad.
- We were able to provide much needed school uniforms and shoes to learners at the Luckhoff Primary and Tswelang Pele Ka Thuto schools in Luckhoff as well as Diamanthoogte Primary and Lerethabetse Primary schools in Koffiefontein. School shoes were also donated to Brentpark Primary school in Kroonstad, Bainsvlei Combined School and Tlholo Intermediate school in Botshabelo.
- We distributed 1542 pencil cases with scientific calculators and writing materials to 6 schools in the Letsemeng municipal area.
- Together with the Letsemeng local municipality we embarked on a clean-up of the Phambili Primary school outside Jacobsdal. In collaboration with the Departments of Agriculture and Rural Development, Health and Home Affairs the broader community of Phambili and the surrounding towns were given access to veterinarian services, basic health services and application for, amongst other birth certificates and identity documents.
- Over the festive season we donated 40 hampers with baby products to mothers of babies born on Christmas and New Years days at the Boitumelo and Bongani hospitals.
- We hosted Christmas parties for 3000 less privileged children in Luckhoff, Petrusburg, Koffiefontein, Jacobsdal, Oppermansdorp, Bainsvlei, Kroonstad, Viljoenskroon and Steynsrus and also supported festive celebrations for children from disadvantaged communities hosted by the hon. Premier, the MEC Social Development and the MEC Cogta.

Hon Speaker, I want to thank the officials in the Provincial Treasury and those throughout government, my colleagues in the Executive Council and the private sector, for answering our call for donations – either monetary or in kind. It is immensely gratifying to see the practical difference that these programmes make in the lives of our disadvantaged communities.

## **2015/16 AND BEYOND**

Honourable Speaker, allow me to reflect on the budget of the Provincial Treasury for the 2015/16 financial year, noting that we operate within the stipulated constraints of the fiscal environment. I will now deal with the details of the respective programmes.

### **PROGRAMME ONE: ADMINISTRATION**

Hon Speaker, the role of this programme is to provide leadership and strategic management in accordance with legislations, regulations and policies as well as to ensure that there are appropriate support services to all other programmes. The programme is allocated R91.4 million.

Our main objectives for this programme is to ensure that we have effective and efficient systems, processes and practices in place that will allow us to maintain our clean audit status and improve on our score of fully compliant against 73% of the standards of the Management Performance Assessment Tool (MPAT). Although we have already exceeded the national target of a fully compliant score against 50% of the standards by 2019, we will work tirelessly towards our target of 98% by 2017/18.

We are well aware of the fact that our human resources are our biggest asset and we continue to invest in the development of our officials. We currently have 28 officials furthering their studies with departmental bursaries. Of these, 3 are pursuing their doctorate degrees, 9 are pursuing masters degrees, 3 are studying towards their honours degrees and 13 are studying towards degrees or national diplomas. We have appointed 32 interns of which 17 are experiential learners. In line with our recruitment strategy, 3% of the interns appointed are people with disabilities.

### **PROGRAMME TWO: SUSTAINABLE RESOURCE MANAGEMENT**

The role of this programme is to provide professional advice and support on provincial economic analysis, fiscal policy and the management of the annual budget process as well as the implementation of the provincial budget. This programme is allocated an amount of R30.5 million.

#### **Research**

Our Research Unit will be publishing the updated Socio-Economic Profile of the Free State. This publication will be launched during the first quarter of the 2015/16 financial year. This research will be key for the review of municipal LED Strategies.

Furthermore, a Socio-Economic Review and Outlook of the province, highlighting success and challenges of the province on the socio-economic front over the last 20 years of democracy will also be published during the first quarter of 2015/16.

We have identified the need for closer collaboration and cooperation to address research requirements and needs in the Departments of Agriculture & Rural Development as well as Economic & Small Business Development, Tourism and Environmental Affairs. Together with the Research Unit in the Office of the Premier, we will pursue this in the new financial year.

### **Provincial own revenue**

Hon. Speaker, the fiscal challenges faced by the province requires Provincial Treasury to place more emphasis on own revenue collection. In the past three financial years we performed relatively well in this regard. In the current financial year we estimate to collect R965 million, continuing the upward trend established in recent years.

Our departmental contribution to revenue enhancement initiatives is the debt recovery project from ex-employees. This project has included a data enhancement process of the 2948 cases of ex-employee debt, amounting to R35 million that have been handed over thus far. To date, 590 cases - amounting to R5.3 million - were identified as ex-employees who are deceased. As this is now independently verified, the respective provincial departments will use this information to start a process of writing off some of this debt where it is irrecoverable and also clean up this area in their annual financial statements.

The Free State will also be contributing to the enhancement of the national revenue base through extending its cooperation programme with the South African Revenue Services. During the tabling of the Provincial Budget Speech, I made mention of this programme aimed at strengthening and promoting tax compliance, both by private individuals and the business sector.

The Provincial Treasury will establish a Tax Office aimed at enhancing tax compliance by departments, provincial entities, municipalities and public servants at provincial and local government level. This is motivated by the following;

- There are approximately 4567 public servants in the Free State [3428 in government departments and 1139 in municipalities] that have not complied with the submissions of their tax returns.
- SARS requires of provincial departments, entities and municipalities to be the Agent responsible for the implementation of administrative penalties imposed on employees for failing to submit Income Tax Returns. The most recent information indicates that the outstanding returns of municipal officials has already incurred an administrative penalty debt of R9.8 million whilst outstanding returns of provincial government officials have incurred penalty debt of approximately R19 million. Our public officials must understand that this will drive up the already alarming rate of over-indebtedness of private citizens.
- In order to promote compliance by public servants, the Provincial Treasury and SARS will embark on a range of initiatives, including:

- Working closely with the departmental Human Resource units, specifically payrolls;
- SARS will continue to organise mobile tax busses to various districts to capacitate officials about the importance of compliance which will include, outstanding debts, returns and updating of individual profiles;
- Feedback on outstanding returns from SARS to be followed-up by the relevant departments; and
- We will continue to use the quarterly SARS meetings with provincial departments to coordinate and monitor progress.

Our Provincial Tax Office will also assist departments, entities and municipalities to update and review their registered SARS particulars to ensure that it complies with the Legal Entity Registration as implemented by SARS. I am happy to report that at this stage, there are no tax returns outstanding from any provincial department and the current debt outstanding of provincial departments to SARS amounts to R2187.00.

Our assistance to municipalities will also focus on updating registered SARS particulars but also to merge the VAT and PAYE profiles of municipalities. We will build the internal capacity to assist municipalities with all tax matters, including VAT and PAYE and this will gradually phase out the use of consultants in this area.

At local government level, there are currently 2 VAT returns and 1 PAYE return outstanding. The collective debt owed by municipalities to SARS in respect of PAYE currently amounts to R26 million and in respect of VAT currently amounts to R66 million. Let me clarify, hon. Speaker, that R50 million of the total amount outstanding in respect of VAT is under review by SARS and has recently arisen from an assessment conducted on the tax period 2007/08 to 2008/2009. The Provincial Treasury and SARS are working with the specific municipality to attempt to resolve this legacy matter.

Our support of provincial departments, entities and local government will initially constitute the core of the focus of the Provincial Tax Office. Consideration will be given to extend the collaboration with SARS to the Department of Economic & Small Business Development, Tourism and Environmental Affairs to also include tax assistance to the emerging business sector.

### **Monitoring of expenditure**

Monitoring of expenditure against planned targets and reporting on expenditure progress by all departments will remain one of the responsibilities executed by this programme. The focus for the 2015/16 financial year will mainly be on intensifying efforts to improve efficiency and prudence in spending with a view to derive value for money.

Hon. Speaker, we have reached agreement with the Office of the Premier that the responsibility for the planning, monitoring and reporting of non-financial performance will be re-assigned to the Provincial Treasury and will not be transferred to the Office of the Premier in the 2015/16 financial year. There will, however, be closer cooperation between our Departments as we prepare for the transition of this responsibility.

### **Support and Intervention in Education**

Provincial Treasury and the Department of Education will be working together to strengthen and enhance the financial management environment in the Department. Our focus areas will include the following;

- Overspending on the overall departmental vote
- Compensation of Employees
- Cash and expenditure management.
- Planning and budget management.
- Funding for Infrastructure and prescribed national norms and standards

### **PROGRAMME 3: ASSET AND LIABILITY MANAGEMENT**

The role of this programme is to promote the effective management of provincial assets and liabilities. The programme has been allocated R93.9 million.

We will continue to arrange additional transversal contracts to ensure cost effectiveness and economies of scale. The performance of all existing transversal contracts will be closely monitored in order to ensure that the objectives of transversal contracts are achieved.

The process for the procurement of a new centralized supplier database system has been concluded and we have proceeded with the first phase of implementation. This will address the challenges with system performance and deficiencies that have been identified with the current system. Our work in this regard will enable integration into and transition with the supply chain management reviews initiated by the Office of the Chief Procurement Officer.

Recognising the importance of infrastructure spending in stimulating the economy, we will be building capacity to strengthen the monitoring of the planning and implementation of infrastructure projects. We will continue to monitor the quality and quantity of infrastructure spending as well as physical progress on individual infrastructure projects. Quarterly infrastructure review meetings will be re-introduced to support this process.

Efficient cash management procedures and practices were implemented to ensure that the Provincial Revenue Fund did not rely on temporary bridging or overdraft facilities. This will be maintained during the coming financial year.

### **30 day payment of suppliers**

Honourable Speaker, as indicated by the Honourable Minister of Finance in his Budget Speech, the non-payment of suppliers within the required 30 day time-frame is a pervasive problem that needs serious attention and action as it undermines government's efforts to grow the economy and develop the SMME sector.

To address this, Provincial Treasury is in the process of developing a guide to departments to assist with the reporting on the payment of legitimate invoices within 30 days by departments. The objective of the guide is to set norms and standards to promote uniformity and to enhance credibility of reported information on the 30 day payment of suppliers. We trust that this information will assist accounting officers, who will in future have to include the payment of suppliers within 30 days among the SCM requirements in their performance agreements.

We should also mention that various practical initiatives are also under consideration to address this matter. Consideration is currently being given to the possibility of creating a specific hotline in the Office of the Chief Procurement Officer or to utilize the existing Presidential Hotline to deal with the issue of 30-day payment queries.

### **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. The programme has been allocated R20.3 million.

#### **Improving financial management**

Honourable Speaker, a financial management improvement project will commence at DETEA and its entities to improve its public finance management capabilities. This project will be finalized during the 2015/16 financial year.

A number of initiatives will be continued and expanded in the forthcoming year, including;

- Formal training sessions to build and strengthen capacity in provincial departments and entities in identified areas.
- Regular engagements with CFOs to share best practices and resolve audit findings of a transversal nature will continue
- The assessment of monthly Key Control Matrix reports, quarterly Interim Financial Statements and draft Financial Statements of departments as well as the the bi-annual and draft Financial Statements of entities to assist them to improve the quality of their Annual Financial Statements and ultimately audit opinions.

- Reviewing and amending reporting requirements in addressing non-compliance of departments with legislative requirements.
- Developing guidelines and streamlining reporting requirements for public entities to address their non-compliance with legislative requirements.

With regard to fighting and combatting fraud, Provincial Treasury will continue to participate in the International Fraud Awareness week during November to raise awareness on preventative measures to deter fraud. We implement this programme with our partners the ACFE, Standard Bank, PwC and the Public Service Commission.

We will prioritize the State of Readiness and External Quality Assurance reviews of Internal Audit activities on behalf of the provincial government to ensure that they are fully compliant with standards issued by the Institute for Internal Auditors.

## **PROGRAMME 5: MUNICIPAL FINANCE MANAGEMENT**

The role of this programme is to improve the state of financial governance and management at local government level together with the Department of Cooperative Governance & Traditional Affairs and SALGA. The programme has been allocated R59.3 million.

Provincial Treasury envisages a more direct and practical approach towards supporting municipalities in strengthening their budgeting and financial management processes. We are reviewing the working methodology and approach of the MFM branch to have a more integrated, district-based approach to monitoring and support.

### **Electricity tariffs and energy losses**

Together with COGTA, we will continue to work closely with NERSA to ensure that the province continues to improve in areas that lack capacity and that we uphold our good performance. NERSA has undertaken to provide support to the following municipalities identified as having serious deficiencies in terms of energy losses;

- Ngwathe, Masilonyana, Phumelela, Matjhabeng and Letsemeng

The following municipalities and municipal entities incur high penalties in respect of Notified Maximum Demand and will also be assisted by NERSA;

- Centlec, Phumelela, Maluti-a-Phofung and Dihlabeng

## **Draft Budget-bilaterals**

The annual benchmark exercise will be undertaken by the Provincial Treasury with all 23 delegated municipalities in the Free State during May. The primary objective is to assess municipal budgets and ensure that these budgets meet policy objectives of local, provincial and national priorities and to assist municipalities to adopt budgets that are credible and financially sustainable.

## **Outstanding debt owed to municipalities**

We will continue with our intergovernmental work sessions to support municipalities in resolving this matter. One of the collaborate initiatives this year will be the work of the task team established between the Provincial Treasury, COGTA, Education and Public Works and Infrastructure to specifically consider the debt incurred by schools in respect of services such as water and electricity. The task team will be making recommendations regarding the current funding arrangements in this regard.

Another area that requires intervention is the debt by municipal officials and councillors. This debt increased from R8.6 million in July 2014 to R17 million in December 2014.

## **Municipal Risk Management and Internal Audit**

Provincial Treasury will be assisting internal audit and risk management units in municipalities with the development of their annual audit plans and risk registers. We will assess the functionality and efficiency of internal audit and risk management units as well as that of the audit committee and risk management committee. In addition, requests by municipalities for specific support in identified areas will be provided.

## **Monitoring and oversight**

Provincial Treasury will continue with its ongoing monitoring and oversight which include S71 compliance, the review of Annual Financial Statements, assistance with investigation of irregular, unauthorized, fruitless and wasteful expenditure, compliance with the MFMA 30 Monitoring Indicators and assessment of delegations of powers.

## **Capacity building and support**

Hon Speaker, our regular capacity building initiatives, including asset management forums, district SCM forums, formal SCM training, Interns' forums, formal training in Internal Audit and Risk Management, Annual Audit Committee chairpersons forum and co-hosting of the fraud awareness week will continue. We will also strengthen the Provincial and Municipal Support project at municipalities and provincial government departments.

## CONCLUSION

Hon Speaker, the total budget of Provincial Treasury for the 2015/16 financial year amounts to R295.5million.

We continue to rely on the cooperation and support of all provincial departments, public entities and local government to ensure that we achieve our mandates. The support of the hon. Premier and Members of the Executive Council as well as the Portfolio Committee on Public Accounts and Finance are appreciated.

I must also extend my appreciation to our private sector partners, notably the provincial banker, Standard Bank, for their continued support of our work as the Provincial Treasury.

Honourable Speaker, allow me to thank the CEO of Provincial Treasury together with the senior management and all the officials for their commitment and tireless efforts to bring about the change we want.

The late former President Mandela said, and I quote; *“What counts in life is not the mere fact that we have lived. It is what difference we have made to the lives of others that will determine the significance of the life we lead”*.

I thank you.