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Department:
Finance
North West Provincial Government
Republic of South Africa



**PRESENTATION TO THE AD-HOC COMMITTEE
ON INTERVENTION IN NORTH WEST – SECTION
100 1(a) FOR FINANCE**

DATE – 27 JUNE 2018



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PRESENTATION OUTLINE



- Governance and Institutional Arrangement
- Budget Planning and Revenue Management
- Revenue and Expenditure management
- Provincial Supply Chain Issues
- Audit Outcome and Post Audit Action Plan
- 2018 MTEF Budget
- Conclusion



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GOVERNANCE AND INSTITUTIONAL ARRANGEMENT



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PRESENTATION OUTLINE



- Governance and Institutional Arrangement
- Budget Planning and Revenue Management
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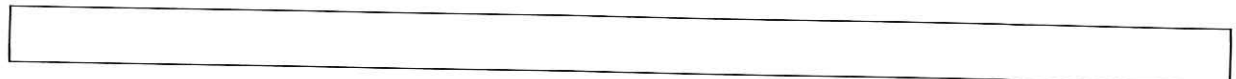


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GOVERNANCE AND INSTITUTIONAL ARRANGEMENT



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GOVERNANCE AND INSTITUTIONAL ARRANGEMENTS



- Since 2010 with the introduction of BAS, departments were decentralised to manage their revenue collection and other financial matters through own PMG bank accounts;
- Provincial Departments and Entities operate in a decentralised manner with regards to executive and administrative matters;
- Each Department has an Accounting officer and CFO who are responsible and accountable to their own EA.
- Provincial Treasury plays an oversight role with regards to Budget and PFMA compliance matters as well as providing system training and support on application systems like Persal and BAS;



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INSTITUTIONAL ARRANGEMENTS



- All the Accounting Officers of Departments including public entities deals with the SCM as prescribed by the Act and applicable regulations;
- Departments and entities have Directors of SCM (who reports to the CFO and in turn report to the Accounting Officers);
- All Departments have bid specification Committees, Bid Evaluation Committees and Bid Adjudication Committees;
- Provincial Treasury provides the necessary support and guidance in respect of SCM issues inclusive of capacity building initiatives.



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FINANCE PERFORMANCE EXCLUDING TRANSVERSAL RESPONSIBILITIES



- The department has a substantive HOD and CFO as per the relevant legislation;
- For the past 4 years, the department has maintained a clean audit whilst working very hard with other departments to improve their audit outcome;
- The Department of Finance currently administratively host the Shared Internal Audit Function which in terms of the last standard assessment have been considered competent;
- The department has consistently complied with all the regulatory requirements and has served as a critical source of credible information for the province;
- The department has achieved an overall MPAT rating of 3.4 which is above satisfactory rating of 3.



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FINANCE PERFORMANCE



- The Provincial Treasury have the following governance structure:
 - Departmental Management Committee (DMC);
 - Executive Management Committee (EMC);
 - The Department conduct regular quarterly performance review meetings;
 - Financial and HR delegation are in existence
 - HOD ensures that officials submit their financial disclosures;
 - The Performance Agreement of the Accounting Officer is reviewed and assessed by the responsible Executive Authority;
 - The following reports are presented to Broader Extech and EXCO on a monthly basis and quarterly to the Provincial Legislature:
 - Provincial Expenditure and Revenue
 - VTSD Spending
 - Progress on Implementation of Procurement Plan
 - Post Audit Action Plan
 - 30 days Payments
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ORGANISATIONAL CAPACITY AND CHALLENGES



- The Department received concurrence from DPSA on the new structure in June 2018;
- The new structure does not make provision for more numbers and it is re-alignment to the agreed generic structure for Treasuries with specific focus on strengthening the MFMA unit and Provincial Supply Chain
- Both the Chief Director for MFMA Unit and Provincial Supply Chain will report directly to the Head of Department
- For strengthened capacity and immediate response including support to municipalities, the proposed structure is aligned to our district and capacity will reside within the district
- To reduce our spending on consultants, the structure makes provision for specialist functions, namely; budget and revenue management, accounting and reporting, assets and liability management
- The proposed structure responds largely to our need for increased intensive support to municipalities and departments in particular on areas of Supply Chain Management



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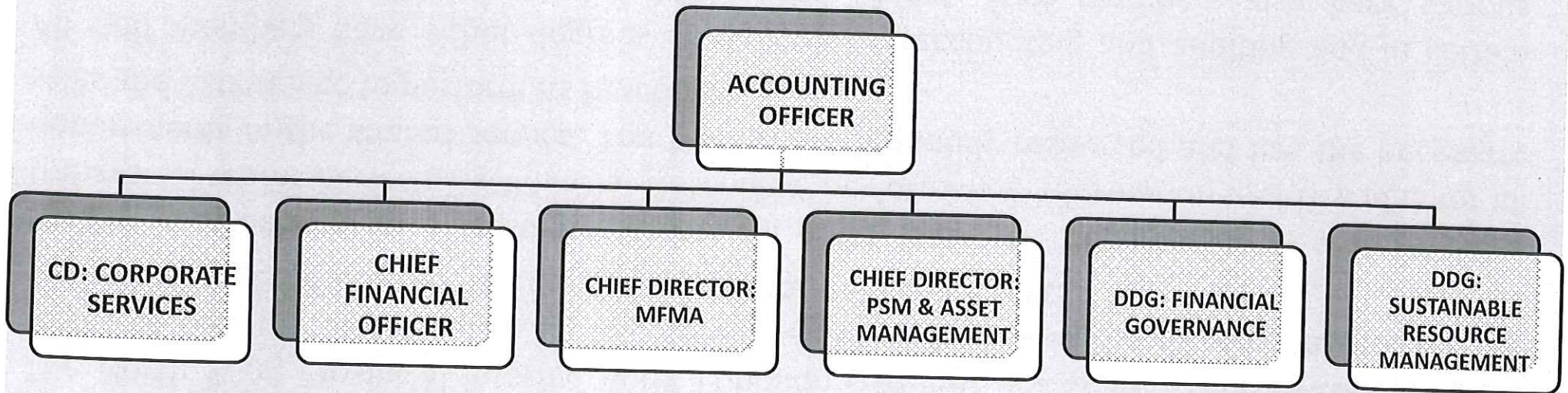
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APPROVED PROPOSED ORGANISATION STRUCTURE



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PROVINCIAL INTERNAL AUDIT



- The North West Provincial Internal Audit Function (NWPIA) is a shared service established in terms of Treasury Regulation 3.2.3 and service all departments in the Province except for the Legislature and Department of Education and Sports Development.
- NWPIA is structured in 5 clusters and has an audit team per department as well as three transversal teams performing financial statement, performance information and IT audits for all departments in the shared service. The NWPIA is adequately resourced and has the necessary skills and experience to perform its functions.
- All staff members have either degrees or diplomas in accounting and auditing and in certain instances further qualifications such MBA's and M.Phil. Staff members also have various professional qualifications (69 in total) including Certified Internal Auditor, Certified Information System Auditor, Registered Government Auditor, CA(SA), Internal Audit Technician and Professional Internal Auditor. These qualifications are awarded by the respective professional bodies.



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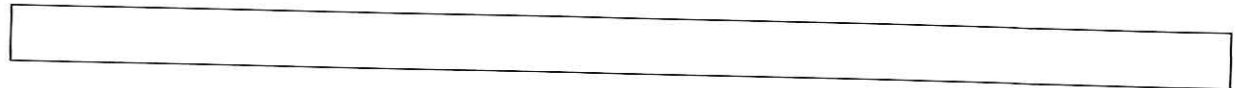


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PROVINCIAL BUDGET PLANNING AND REVENUE MANAGEMENT



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BUDGET PROCESS



- The Provincial Treasury maintains and implement a comprehensive budget process which is aligned to the National budget process;
- Budget submissions from departments are scrutinized to ensure that both National and Provincial priorities are catered for;
- Subsequent to the submission and analysis of the Budget Submission, all provincial departments are engaged through the Medium Term Committee (MTEC);
- The Provincial Planning Unit from the Office of the Premier fully participate in the MTEC hearing to ensure that amongst others NDP goals and outcomes are incorporated into the departmental budget plan;
- All Budget proposals are presented to the Executive Council for approval and endorsed for introduction of the relevant Bill to the Legislature for approval.



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PROVINCIAL REVENUE



- In terms of the policy pronouncement, the long terms vision of the Province is to increase the provincial share of own revenue to the provincial budget from 3.1% to 4.5% ;
- MEC for FEED directing municipalities to maximise own revenue collection ;
- Provincial Treasury to oversee the implementation of the revenue enhancement strategy by ensuring that departments and municipalities:
 - Meet their revenue collection targets;
 - Expand revenue base by identifying new sources of revenue;
 - Minimise revenue collection costs through efficiency improvement; and
 - Facilitates the process of recovering outstanding debt.
 - Identify and address revenue loss due to leakage and illegal connections



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Provincial Supply Chain Issues (Section 100 1(b) Departments



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SCM GOVERNANCE



No	Departments	Generic Functional Structure for office of the CFO(SCM) Aligned: Y/N	Accredited SCM Trainings for 2016/17- 2017/18	SCM Professionalization	
				Heads of SCM Affiliated with Professional	Head of SCM completed SCM Management Development Programme
1	Office of the Premier	N	2	Y	0
2	Department of Community Safety and transport Management	N	12	Y	0
3	Department of Education and Sports Development	N	48	Y	2
4	Department of Health	N	218	Y	1
5	Department of Public Works and Road	N	73	Y	0



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SCM GOVERNANCE



No	Departments	NWPG SCM Model Policy(PFMA): Trained :Y/N	Standard for Infrastructure Procurement and Delivery Management Model Policy: Adopted: Y/N	Contract Management		BID Committee system
				Structure: Y/N	Trained 2016-2018:#	
1	Office of the Premier	Y	N	N	0	Y
2	Department of Community Safety and Transport Management	Y	Y	N	2	Y
3	Department of Education and Sports Development	Y	N	N	7	Y
4	Department of Health	Y	N	N	58	Y
5	Department of Public Works and Road	Y	Y	N	22	Y



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TECHNOLOGY



No	Departments	ISS/g-Commerce system (quotation module)	Central Supplier Database deviated: Y/N	E-Tender Publication Portal	Invoice tracking system	Contract Registration Application(CRA)
1	Office of the Premier	Partial utilization	Y	Y	Partial utilization	N
2	Department of Community Safety and transport Management	Partial utilization	Y	Y	Partial utilization	N
3	Department of Education and Sports Development	Partial utilization	Y	Y	Partial utilization	Partial reporting
4	Department of Health	Partial utilization	Y	Y	Partial utilization	N
5	Department of Public Works and Road	Partial utilization	Y	Y	Partial utilization	Y



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PROGRESS TO DATE (SCM INTERVENTIONS)



No	Challenges	Dellverables	Progress to date
1	<p>People</p> <ul style="list-style-type: none"> Inadequate SCM Structures 	<p>People</p> <ul style="list-style-type: none"> Alignment of SCM Structures to the Generic functional Structure of the Office of the CFO Filling of all vacant posts in SCM Accelerate SCM Professionalization All SCM practitioner to be fully trained by the end of the financial year 2018/19 	<ul style="list-style-type: none"> SCM Practitioner database has been established still awaiting analysis to identify amongst others staff turn over (Health SCM Practitioner database still outstanding). Project plan for skills audit to identify skill gap completed. Accredited SCM training Schedule for the financial year 2018/19 is being rolled out.
2	<p>Process</p> <ul style="list-style-type: none"> Lack of Uniformity with regard to SCM Business process 	<p>Process</p> <p>Re-launch of the reviewed NWPG SCM Model Policy(PFMA) and the enforcement thereof</p>	<ul style="list-style-type: none"> The NWPG SCM Model Policy(PFMA) has been reviewed by National Treasury and Provincial Treasury, awaiting approval by appropriate structures OCPO conducted Procurement Spend analysis for the NWPG to identify leverage opportunities.



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PROGRESS TO DATE (SCM)



No	Challenges	Deliverables	Progress to date
3	Technology	Technology	
	<ul style="list-style-type: none">Inefficient application of SCM Processes impacting on service delivery	Roll out of the full SCM Automated business Process through g-Commerce system mandatory for PFMA Institutions eg CSD, e-Tender Portal, CRA, Invoice tracking.	<ul style="list-style-type: none">Assessment of Provincial ICT infrastructure for the roll out of gCommerce platform has been completedRequest letter was communicated to SITA for implementation of full suite gCommerce platform



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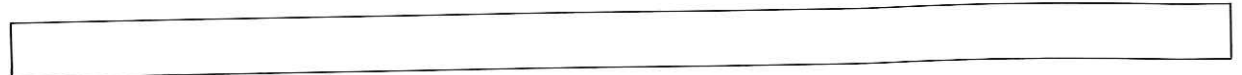


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DEPARTMENTAL AUDIT OUTCOME AND POST AUDIT ACTION PLAN



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COMPARATIVE AUDIT OUTCOMES FOR LAST THREE YEARS - DEPARTMENTS



DEPARTMENT	2014/15	2015/16	2016/17
Office of the Premier	U	Q	Q
NW Legislature	U	U	U
Health	U	Q	Q
Culture, Arts & Traditional Affairs	U	U	U
Community Safety & Transport Management	Q	Q	Q
Economy and Enterprise Development	U	U (C)	U
Finance	U (C)	U (C)	U (C)
Education & Sports Development	U	U	U
Local Government & Human Settlement	U	Q	Q
Tourism	U	U	U
Public Works & Roads	Q	Q	Q
Social Development	U	U	U
Rural, Environment and Agricultural Development	U	U	Q

THERE HAS BEEN NO DISCLAIMERS IN DEPARTMENTS



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COMPARATIVE AUDIT OUTCOMES FOR LAST THREE YEARS - PUBLIC ENTITIES



PUBLIC ENTITY	2014/15	2015/16	2016/17
NW Gambling Board	U	U	U
Mmabana Arts, Culture and Sports Foundation	D	D	D
NW Parks Board	D	Q	Q
NW Tourism Board	N/A	Q	Q
NW Provincial Arts & Culture Council	Q	U	Q
NW Housing Corporation	D	D	Q
NW Agri-bank	U	U (C)	U (C)
Donkervliet Recreational Centre	U	U	Q
Klein Marico Recreational Centre	Q	Q	D
NW Transport Investments	Q	Q	Q
Atteridgeville Bus Services	U	U	Q
North West Star	U	U	Q
Youth Development Trust	Q	Q	Q
Youth Entrepreneurial Services	-	-	U
NW Provincial Council on Aids	U	U	U
Madikwe River Lodge	A	D	Q
Signal Developments	D	D	D
Kgama Wildlife	U	U	U
NW Development Corporation	Q	D	D
Dirapeng	D	D	Q
Golden Leopards Resorts	D	D	Q



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SUMMARY OF AUDIT OUTCOME AND AUDIT REPORT MATTERS



- A summary of the audit outcomes for Departments and Public Entities for the year ended 31 March 2017 are outlined below:
 - 1 (2) Department got clean audit, 6 (6) were unqualified and 6(5) were qualified. There were no disclaimers in Provincial Departments;
 - 1(1) Entity got Clean, 4(7) Entities were unqualified, 13(5) were qualified, 4 (7) got disclaimers
- Overall audit qualification areas were reduced by 45% (in other words, the issues raised by the Auditor General in terms of management letter and audit paragraphs have reduced);
- Provincial Treasury is implementing the Post Audit Action Plan (PAAP) to assist departments to address issues raised by the Auditor General for departments, entities and municipalities;
- The progress report on the implementation of the PAAP is submitted on a monthly basis to EXCO and quarterly to the BBPCC



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PROGRESS ON IMPLEMENTATION OF AUDIT ACTION PLANS



- The overall progress in implementing audit actions plans (PAAP) as at 26 May 2018 is 74% for Departments and 59% Public Entities;
- Most of the outstanding items will be finalised during the finalisation of Annual Financial Statements;
- Notable progress is that three (3) Departments are over 90% which are (Finance 92%, Culture, Arts & Traditional Affairs 97%, and Rural Environment and Agricultural Development 97% respectively). Two (2) Entities over 90% are (NW Parks Board 94%, and NW Gambling Board 91%);
- Provincial Treasury provides support and is in constant communication with CFO's of Departments and Entities to try and speed up the process;
- Provincial Internal Audit validates the stages of completion for departments and responsible department for entities remain responsible for implementation of the PAAP



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PAAP PROGRESS PER DEPARTMENT



DEPARTMENT	Percentage completed as at 26.05.2018
Office of the Premier	70%
NW Legislature	62%
Health	48%
Culture, Arts & Traditional Affairs	97%
Community Safety & Transport Management	70%
Economy and Enterprise Development	82%
Finance	92%
Education & Sports Development	82%
Local Government & Human Settlement	76%
Tourism	29%
Public Works & Roads	90%
Social Development	64%
Rural, Environment and Agricultural Development	97%



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PAAP PROGRESS PER ENTITY



	Percentage completed as at 26.05.2018
PUBLIC ENTITY	
NW Gambling Board	91%
Mmabana Arts, Culture and Sports Foundation	51%
NW Parks Board	94%
NW Tourism Board	28%
NW Provincial Arts & Culture Council	7%
NW Housing Corporation	86%
NW Transport Investments (Atteridgeville Bus Services & North West Star)	71%
NW Development Corporation (Madikwe River Lodge, Dirapeng, Kgama Wildlife, Golden Leopards Resorts & Signal Developments)	57%



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INTERVENTION BY PROVINCIAL TREASURY DURING 2017/18:



- The office of the Accountant General engaged with National Treasury and Auditor General on issues of interpretation emanating from the 2016/17 and issued guidance to Departments and Public Entities;
- Post Audit Action Plans are stringently monitored with firm deadlines for completion by reporting to Heads of Departments, CEO's and EA's where there is non compliance;
- Provincial Internal Audit provides assurance through risk based audits after which internal audit reports are issued to management to attend to internal controls and clear issues which might affect the regularity audit;
- Provincial Treasury provides one on one support to Departments and Entities that are faced with capacity challenges to speed up progress;
- Technical accounting support through training and workshops as well as National Treasury requirements
- An electronic system (PAAP) was established to monitor Post Audit Action Plans on an going basis.



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INTERVENTION BY PROVINCIAL TREASURY DURING 2017/18:



- PAAP Monthly and quarterly reports are submitted to EXTECH and EXCO to report progress;
- Quarterly Interim Financial statements are prepared by Departments to determine progress with financial reporting and prepare for year end
- System training is offered to all new and existing officials on the financial systems;
- Provincial Risk management conducts quarterly forums with departments and Entities to ensure compliance with frameworks and letters are written to EA's to inform them of the progress.



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Irregular Expenditure per Department



Provincial Department / Legislature	CUMMULATIVE IRREGULAR EXPENDITURE			
	2014/15	2015/16	2016/17	2017/18
1 Office Of The Premier	279 653	404 377	423 795	611 916
2 Provincial Legislature	75 662	-	203 572	274 404
3 Health	5 033 297	5 724 637	6 436 638	-
4 Culture, Arts And Traditional Affairs	192 168	196 483	238 707	241 210
5 Community Safety And Transport Management	948 536	1 840 365	2 720 543	3 701 754
6 Economy And Enterprise Development	1 054	-	-	-
7 Finance	16 305	16 305	16 305	16 305
8 Education And Sports Development	749 278	878 204	946 663	1 138 485
9 Local Government And Human Settlements	28 339	127 421	82 508	112 727
10 Tourism	1 123	18 478	27 735	35 297
11 Public Works And Roads	2 446 666	2 929 320	3 457 750	4 596 286
12 Social Development	243 269	258 859	242 063	-
13 Rural, Environment And Agricultural Development	12 422	2 837	413 449	470 239
Total	10 027 772	12 397 286	15 209 729	11 198 623

Preliminary Irregular expenditure for 2017/18 excludes Health and Social Development since they did not submit the AFS



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PROVINCIAL UNAUTHORISED, IRREGULAR AND FRUITLESS (UIF) EXPENDITURE



- As a Province (In Departments) the outstanding balances as at 31 March 2017 is:
 - Unauthorised Expenditure – R385 m
 - Irregular Expenditure – R15,2 b
 - Fruitless Expenditure – R165 m (of which R112 million relates to Health);
- Provincial Executive Council established a Committee called “Provincial Advisory Committee” (PACO) to guide Departments & Entities to resolve all outstanding Irregular & Fruitless expenditure;
- Through PACO intervention an amount of R2.5 billion irregular has been presented to the committee and recommended to be presented to relevant authorities for final decision. Accounting Officers are taking consequence management where it is necessary;
- A bill supporting clearing of Unauthorised expenditure of R385 million will be finalized in the current year through legislative processes;
- Additional controls such as National Treasury guidelines, check lists, and close monitoring and training” have been provided to improve the situation



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EMERGING RISKS



- **Submission of Annual Financial Statements**

It must be noted that the Province has been achieving 100% submission of Annual Financial statements to the Auditor General within the PFMA deadline of 31 May.

However, for the current year the following departments ability to submit annual financial statements for the year ended 31 March 2018 is affected by recent strike actions and unrest in Mahikeng:

- Department of Health
- Department of Social Development and

This challenge was brought to the attention of EXCO for a decision.

- Provincial Treasury made arrangements to provide support to process payments which were presented during the strike Action for the affected departments
- The financial system support is under the Provincial Treasury and opened system was available for processing payments effective from 1 April 2018 for all departments
- A team of resources were provided to assist in the preparation of AFS and due date for submission is on 31 July 2018



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AUDIT INTERVENTION PLAN – DEPARTMENTS AND PUBLIC ENTITIES



- The Office of the Accountant General engaged with National Treasury and Auditor General on issues of interpretation emanating from previous year audit like transfers and Subsidies and issued guidance to Departments and Public Entities;
- Stringent monitoring of audit action plans with firm deadlines for completion by reporting to Heads of Departments, CEO's and EA's where there is non compliance;
- Constant engagement with Chief Financial Officers;
- Strengthening internal controls and paying attention to internal audit reports to clear issues raised on timely basis;



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AUDIT INTERVENTION PLAN – DEPARTMENTS AND PUBLIC ENTITIES



- EXCO has approved the establishment of Provincial Advisory Committee (PACO) for UIF for effective processing and evaluation of submission for condonement of UIF;
- Roll-out the support to Public Entities on risk management;
- The OAG and PIA do from time to time attended management meetings with Departments and Entities to emphasize the importance of Posts Audit Action Plans and will continue to do so;
- PAAP refresher training was offered to Departments and Public Entities by the Office of the Accountant General;
- Provincial Treasury is offering one on one support to Departments and Entities that are faced with capacity challenges to speed up progress;



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STATE OF FINANCES IN MUNICIPALITIES



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MUNICIPAL AUDIT OUTCOME



	2017	2016	2015	2014	2013
Unqualified no findings	0	0	0	0	0
Unqualified with findings	2	4	6	5	3
Qualified	12	12	10	9	6
Disclaimer	8	7	7	9	14
Adverse	0	0	0	0	0
Outstanding	0	0	0	0	0
Total	22	23	23	23	23



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KEY OBSERVATIONS- 2016/17 AUDIT OUTCOME



- 8 municipalities obtained disclaimer opinions which increased from last year of 7 municipalities
- 12 municipalities obtained qualified opinions which increased from previous years (2015,2014 and 2013)
- Municipalities with unqualified opinions of (2) decreased from previous years (4)
- Poor quality AFS
- Continued reliance on consultants for financial reporting, including AFS
 - AFS submitted had material misstatements identified by auditors during the audit process
- Weak Controls environment
 - Poor record keeping
 - Daily and monthly reconciliations not performed

Pervasive Root Causes:

- Leadership challenges
- Key officials lacking appropriate competencies
- Inadequate consequences for poor performance and transgressions
- Slow response to AG's findings
- Lack of internal controls



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NW PROVINCE SPECIFIC STRATEGY - GAME CHANGERS



Intervention Area	Objective	Support	Comments
Revenue Management	<ol style="list-style-type: none"> 1. Assist municipalities to maximise revenue collection. 2. Unpack and resolve disputed government debts 3. Reduced historical debt owed by Public Works by 90%. 4. Reduced suspense accounts/unallocated government receipts at all local municipalities 	<ul style="list-style-type: none"> • Assisted all 22 municipalities to develop the Revenue enhancement strategy • Engage Provincial and National Department and facilitate • Facilitate physical verifications on disputed properties 	<p>Impact of PT support is not visible due to limited capacity of the MFM unit. Focus of support was targeting Eskom Defaulting municipalities</p> <p>R350 m of arrear debt paid by government since 2015 to date and was channelled towards Eskom account. Reduced the number of municipalities defaulting on payment of Eskom account from 11 to 5</p> <p>Physical verification of government properties conducted at 10 municipalities (Rural Development, Provincial Public works and Transnet)</p>



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NW PROVINCE SPECIFIC STRATEGY – GAME CHANGERS



Intervention Area	Objective	Support	Comments
Funded Budgets	<ol style="list-style-type: none"> Provide support to municipalities to adopt funded budgets at start of financial year through benchmark engagements. Monitor the implementation of municipal budgets on a quarterly basis 	<ul style="list-style-type: none"> Monitor compilation of the budget (Draft, final and adjustment) Conduct budget benchmark engagements. Monthly monitoring of Sec 71 reports Consolidation of in year reports and submit to legislature 	<ul style="list-style-type: none"> Reduced unfunded budgets from 18 to 14 Improved compliance with MBRR



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NW PROVINCE SPECIFIC STRATEGY TO ADDRESS MUNICIPAL FINANCE FAILURES



Intervention Area	Objective	Support	Comments
mSCOA	<ol style="list-style-type: none"> 1. Promote efficiency and data integrity 2. Improve mSCOA implementation and compliance 3. mSCOA capacity building 	<ul style="list-style-type: none"> • Monitoring compliance 	<ul style="list-style-type: none"> • MFMIP advisor working with PT officials to monitor mSCOA implementation in the province. • Trained 960 municipal officials on mSCOA



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NW PROVINCE SPECIFIC STRATEGY TO ADDRESS MUNICIPAL FINANCE FAILURES



Intervention Area	Objective	Support	Comments
Assets Management	1. Updated and maintenance of the FAR	<ul style="list-style-type: none"> Monitoring 	<ul style="list-style-type: none"> 12 municipalities supported with compilation of GRAP compliant Asset Registers
Supply Chain Management	<ol style="list-style-type: none"> Support municipalities with the implementation of effective contract management to improve SCM Monitor and provide technical support on Unauthorized Irregular Fruitless and Wasteful Expenditure register. Improve scm compliance 	<p>Trained SCM officials, Bid Committees, MPAC</p> <ul style="list-style-type: none"> Engage municipalities on the process followed to address UIF&W Expenditure and advice Conduct workshops to municipal officials to implement circular 68 and section 32 Monitor scm compliance 	<ul style="list-style-type: none"> 15 Municipalities trained Provided Technical support to Matlosana to improve scm implementation Conducted working sessions with 10 municipalities on UIF&W registers together with mPAC



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SUMMARY OF 2018 MTEF BUDGET



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PROVINCIAL FISCAL FRAMEWORK



2018 MTEF - Provincial Fiscal Framework

Source of Funding	Audited Appropriations			2017/18 Financial Year		Medium Term Framework			
	2014/15	2015/16	2016/17	Main Budget	Adjusted Budget	2018/19	2019/20	2020/21	2018-2021
Equitable Share - 2017 Budget Book	24 565 351	26 527 825	28 385 986	30 329 643	30 329 643	32 472 636	34 857 190	36 774 335	104 104 161
Adjustment to the Equitable share						(80 741)	(68 262)	597 885	448 882
of which:									
<i>Impact of new data updates in the PES formula</i>						4 392	6 413	11 737	22 542
<i>Social Development NAWANGA Court Case Judgement</i>							14 760	15 573	30 333
<i>Social Development Violence Against Women</i>						13 846	19 685	20 770	54 301
<i>Baseline adjustment for wage inflation</i>								665 826	665 826
<i>Envisaged Final Equitable Share Reduction</i>						(98 979)	(109 120)	(116 021)	-324 120
2018 MTEF Final Equitable share Allocation	24 706 979	26 397 047	28 062 307	30 329 643	30 329 643	32 391 895	34 788 928	37 372 220	104 553 043
Provincial Own Revenue - 2017 Budget Book		1031528	1 098 617	1 181 276	1 181 276	1 250 609	1 320 940	1 393 592	3 965 140
Adjustment to Own Revenue		(13 000)			(24 000)	(40 746)	(44 715)	(19 370)	(104 832)
2018 MTEF Final Own Revenue Allocation	961 452	1 018 528	1 098 617	1 181 276	1 157 276	1 209 862	1 276 224	1 374 222	3 860 308
Conditional Grants - Final Allocation	5 751 107	7 204 004	7 131 290	7 552 353	7 852 766	7 467 345	7 460 446	8 023 045	22 950 836
Financing	994 234	363 066	296 986	18 029	550 608	3 014	2 085		5 099
Final 2018 MTEF Allocation	32 413 772	34 982 645	36 589 200	39 081 301	39 890 293	41 072 116	43 527 683	46 769 487	131 369 286



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2018 ALLOCATION TO DEPARTMENTS



Summary of 2018 Provincial Allocation to Departments

Departments	R'000	2017/18 Financial Year		Medium Term Allocation		
		Main Budget	Adjusted Budget	2018/19	2019/20	2020/21
Office of the Premier		648 857	780 522	775 381	867 971	936 488
Provincial Legislature		449 484	547 400	473 898	488 778	487 601
Health		10 461 340	10 600 197	11 153 568	11 934 038	12 884 404
Culture, Arts and Traditional Affairs		711 440	745 299	732 049	775 236	812 245
Community Safety and Transport Management		1 983 725	2 078 184	2 163 473	2 263 071	2 388 476
Economy and Enterprise Development		305 268	297 708	297 190	313 762	374 138
Finance		486 299	467 005	484 084	515 079	558 512
Education and Sports Development		15 281 697	15 274 429	16 183 868	17 148 058	18 488 567
Local Government and Human Settlements		2 709 162	2 882 772	2 476 863	2 570 660	2 719 497
Tourism		245 761	257 916	261 551	277 350	304 792
Public Works and Roads		2 895 063	3 032 345	3 020 961	3 125 287	3 326 208
Social Development		1 532 570	1 525 356	1 608 750	1 717 355	1 842 863
Rural, Environment and Agricultural Development		1 370 636	1 401 161	1 440 478	1 531 038	1 645 694
Total Allocation		39 081 301	39 890 293	41 072 116	43 527 683	46 769 485



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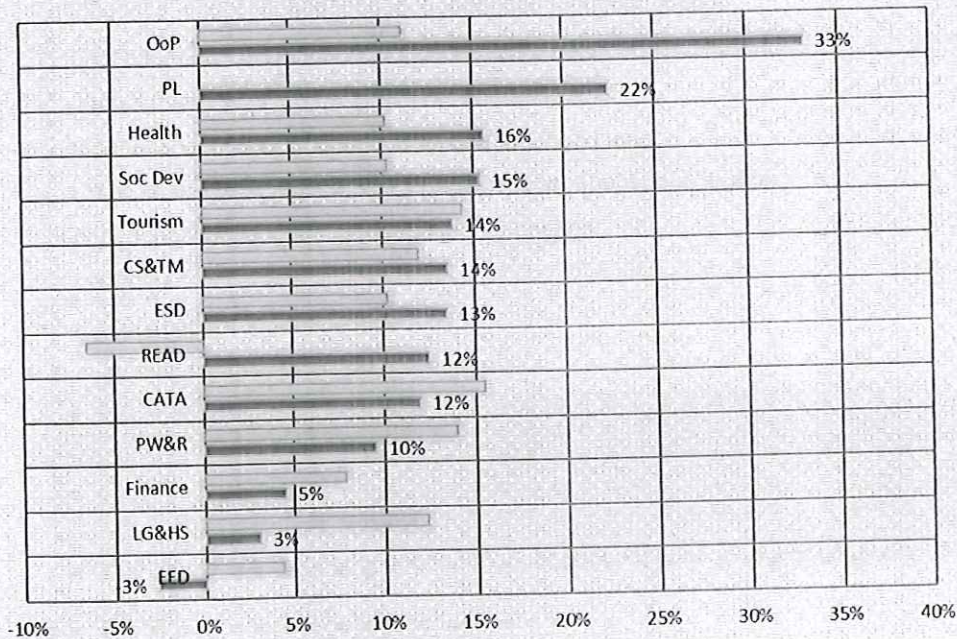
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2018 ALLOCATION TO DEPARTMENTS



Average Growth 2016-2018

Own Revenue Equitable Share



- From 2016 to 2018 MTEF period, the Office of the Premier recorded the fastest growth in equitable share allocation followed by the Provincial Legislature;
- The growth in Office of the Premier is mainly influenced by amongst others the centralisation of bursary function, ICT transformation budget;
- The increase in the Provincial Legislature budget came as a result of the allocation for the expansion of the Legislature precinct. The allocation mainly came from the Public Works budget;



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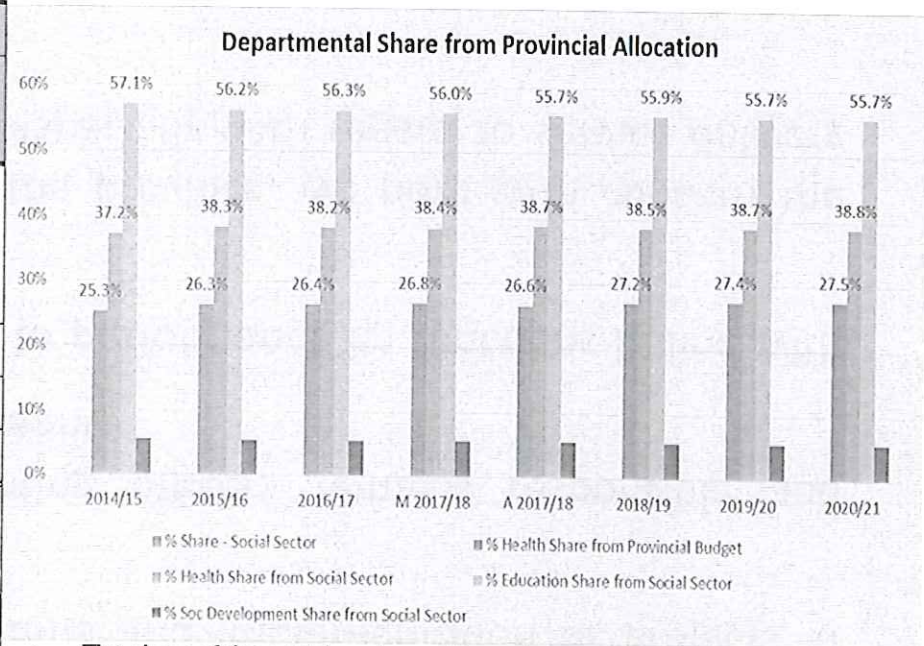
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2018 ALLOCATION TO DEPARTMENTS



Departmental Shares from Provincial Budget

Departments	R'000	Adjusted Allocation			2017/18 Financial Year		Medium Term Allocation		
		2014/15	2015/16	2016/17	Main Budget	Adjusted Budget	2018/19	2019/20	2020/21
Health		8 184 743	9 199 705	9 675 937	10 461 340	10 600 197	11 153 568	11 934 038	12 884 404
Education and Sports Development		12 562 685	13 519 859	14 241 900	15 281 697	15 274 429	16 183 868	17 148 058	18 488 567
Social Development		1 254 142	1 316 349	1 392 691	1 532 570	1 525 356	1 608 750	1 717 355	1 842 863
Total Social Sector Allocation		22 001 570	24 035 913	25 310 528	27 275 607	27 399 982	28 946 187	30 799 451	33 215 835
Other Departments		10 412 203	10 946 732	11 278 672	11 805 694	12 490 311	12 125 929	12 728 233	13 553 650
Total Provincial Allocation		32 413 773	34 982 645	36 589 200	39 081 301	39 890 293	41 072 116	43 527 683	46 769 485
% Share - Social Sector		67.9%	68.7%	69.2%	69.8%	68.7%	70.5%	70.8%	71.0%
% Health Share from Provincial Budget		25.3%	26.3%	26.4%	26.8%	26.6%	27.2%	27.4%	27.5%
% Health Share from Social Sector		37.2%	38.3%	38.2%	38.4%	38.7%	38.5%	38.7%	38.8%
% Education Share from Social Sector		57.1%	56.2%	56.3%	56.0%	55.7%	55.9%	55.7%	55.7%
% Soc Development Share from Social Sector		5.7%	5.5%	5.5%	5.6%	5.6%	5.6%	5.6%	5.5%



- The share of the social sector continues to grow since 2014;
- The growth is mainly dominated by the share of the Department of Health;
- This came as a result of additional funding to the department and the protection of the baseline during the equitable share reduction processes;



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ASSESSMENT OF THE PROVINCIAL LIQUIDITY IN RELATION TO THE REVENUE FUND



- The Province have adequate funds to pay commitments and implementation of projects in 2018/19 financial year;
- The SCM is decentralised to ensure that Accounting officers remains responsible and accountable for their respective departmental procurement;
- The Provincial Treasury remains focused and capable to performance its functions in line with Section 18 of the PFMA;
- Although sound cash management is maintained in the province, we note with concern the deteriorating performance of the some departments especially with regard to service delivery issues;
- The province would appreciate any assistance to restore the health service to be at an acceptable level;



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CONCLUSION



- **POLITICAL STAKEHOLDER MANAGEMENT**

- The MEC meet with the municipal mayors and MEC for Local Government and Human Settlement on a quarterly basis;
 - Provincial Treasury is a key contributor to intervention decision making as far as it relates to finance through the Bokone Bophirima Premier's Coordinating Council;
 - There is a draft MOU which clearly defines the role of the Department of Finance and Local Government and Human Settlement towards municipalities;
- Our support plan for municipalities and game changers, which has been endorsed by National Treasury remain critical points for implementation of improved financial management in Municipalities;
 - We agree that the Technical Task team support the initiatives implemented for improved financial management in municipalities which amongst others includes:
 - Post Audit Plan
 - Game changers
 - Provincial Revenue Enhancement Strategy



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CONCLUSION



- The Provincial Government have institutional arrangement to support the implementation of the PFMA with recognition of accountability and consequence management;
- The Provincial Treasury implement sound and robust budget planning process in line with requisite guidelines;
- Revenue and expenditure management remains sound and credible at a macro level and is further supported by responsible Accounting officers and Chief financial officers at micro level (transactional level);
- Robust accounting and reporting processes are maintained which includes presentation of the Annual Reports, reporting to the Provincial Legislature;
- Through partnership with Office of the Premier and Local Government and Human Settlement, the province is in the process of implementing the support plan which includes game changers for sound financial management in municipalities;
- The province is currently in the process of reducing the number of Public Entities through rationalisation;
- The Provincial Treasury remains committed to work with National Treasury to address financial management challenges for effective delivery of services in the province.



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Thank You.



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