



NCPT

NORTHERN CAPE PROVINCIAL TREASURY

Five Year Strategic Plan 2020 - 2025

16 March 2020

We serve with passion. We deliver on time.

Contents

1. Executive Authority Statement.....	3
2. Accounting Officer Statement	5
Part A: Our Mandate	8
1. Constitutional mandate	8
2. Legislative and policy mandates	8
2.1 Legislative mandates	8
2.2 Policy mandates	10
3. Institutional Policies and Strategies over the five year planning period	10
4. Relevant Court Rulings	12
Part B: Our Strategic Focus.....	13
5. Vision	13
6. Mission.....	13
7. Values	13
8. Situational Analysis	13
8.1. External Environment Analysis	20
8.2. Internal Environment Analysis	24
Part C: Measuring Our Performance	26
9. Institutional Performance Information	26
9.1. Measuring the Impact.....	27
9.2. Measuring Outcomes	28
10. Key Risks	30
11. Public Entities	30
Part D: Technical Indicator Description (TID).....	31

1. Executive Authority Statement

Our democracy is founded on the principles contained in the Freedom Charter, which embodies the collective hopes and aspirations of our people. In realising these hopes and aspirations, the National Development Plan (NDP) was developed. The aim of the NDP is to mobilise South Africans around a common strategy built on 3 broad pillars or levers, namely:

- Building a stronger and more inclusive economy for faster employment and income growth;
- Enhancing the capacities of South Africans through providing social services which includes quality education, skills development, health and social protection; and
- Building the capability of the state to play a leading role in South Africa's economic, social and political development.

In implementing these three broad pillars, the new Medium Term Strategic Framework (MTFS) 2019-2024 outlines measurable plans to achieve targets set out in NDP. Our responsibility as Provincial Treasury is to ensure that the provincial budget serves as mechanism to achieve these priorities and meet the urgent needs of our people. The new Medium Term Strategic Framework contains bold interventions that if implemented efficiently and effectively will result in the achievement of the following outcomes, amongst others:

1. Economic transformation and job creation
2. Advanced Social transformation through education, skills and health services
3. Spatial integration, human settlements and local government
4. Strengthened governance and a capable, ethical and developmental state

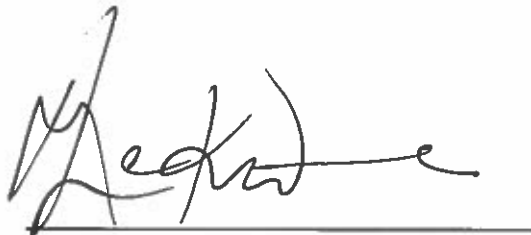
It is clear from the above priorities that Provincial Treasury will be a critical role player as the Province's economic and financial advisor. Therefore, in ensuring attainment of these prioritising these deliverables we will need to be need to be conscious of the current economic climate fiscal challenges faced by both of the country and province which is on the decline. The new MTSF commenced on the on a backdrop of fiscal consolidation and budget cuts. Thus it is will be imperative that we ensure that the available resources are managed in a prudent and sustainable manner.

In planning for the next 5 years, we have conducted an in-depth analysis into our role within the current and envisaged service delivery and economic environment. Our analyses has revealed that it is essential that we assert ourselves and become activists in executing our legislative mandate if we are to make a meaningful impact and realise our vision of being a modern, growing and successful province. Our efforts will be directed towards achieving our long term goals namely:

-
- good financial governance; and
 - Financial viability of the province to accelerate economic growth.

These two outcomes will ensure fiscal sustainability to restore public confidence. Our efforts will be directed towards strengthening our oversight responsibilities and enforcing compliance to legislation to ensure an accountable provincial government. Accordingly, Provincial Treasury will consider a multi-dimensional approach of providing oversight on government finances to improve service delivery.

Having committed ourselves to the above, we will continue to be the heartbeat of sound financial management, serving with passion and delivering on time. I hereby table the Department's strategic plan with confidence knowing that our efforts will result in the realisation of the MTSF priorities.

A handwritten signature in black ink, appearing to read 'Maruping Lekwene', is written over a horizontal line.

Maruping Lekwene
MEC of Finance, Economic Development and Tourism

2. Accounting Officer Statement

Northern Cape Provincial Treasury aims to be the heartbeat of sound financial management that supports economic growth and development by implementation of sound fiscal policy.

Taking cognisance of our vision and the current economic climate it then becomes imperative that we safeguard the financial status of our province as financial sustainability is a key pillar in ensuring growth and development.

The new MTSF is being tabled within a very constrained fiscal environment, where the country debt levels, revenue shortfalls, unemployment and poverty levels have increased. These conditions have necessitated fiscal consolidation resulting in budget baseline cuts. This situation prompts us to implement stricter austerity measures without compromising service delivery, being innovative in order to enhance service delivery and creation of new streams of revenue.

As an organisation we want to see improved accountability by enforcing consequence management, which will ensure the improvement of our provincial fiscal position that enables long-term sustainability. We have consolidate all our actions and strategies to fulfil two outcomes as mentioned in the MEC overview. We have also taken cognisance of the three key drivers that will unlock the proposed strategies and thus enhance governance and service delivery:

- Enforcement of legislation to improve sound governance;
- Leadership to create a culture of stability and accountability resulting in good governance;
and
- Capable and modern state to accelerate service delivery.

We have decided to be innovative in order to make a meaningful impact within the limited resources at our disposal.

In response to this situation, our focus will be on:

- Increasing revenue collection both at a Provincial and Local Government level;
- Fully implementing the Provincial Specific Preferential Procurement Framework(PSPPF) which promotes local procurement, that will stimulate the local economy;

-
- Continued support to municipalities to improve financial reporting and institutionalising good governance in order to improve service delivery;
 - Monitor and support departments on non-compliance matters, especially with regards to Unauthorised, Irregular and Fruitless and Wasteful expenditure and improvement of audit outcomes,
 - Fully support and encourage departments to prepare the Province in responding to the new growth path that is unfolding – Fourth Industrial Revolution(4IR) – modernise the province

We believe through collaborative efforts with our partners we will be able to achieve all priorities set out and we will dedicate all our resources and capacity towards this achievement.

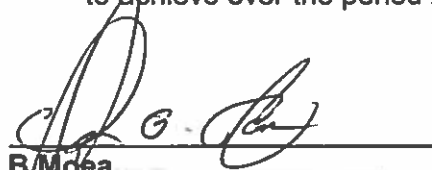


LG BOSVARK
Acting Accounting Officer of Provincial Treasury

Official Sign-Off

It is hereby certified that this Strategic Plan:

- Was developed by the management of the Provincial Treasury under the guidance of MEC Maruping Lekwene;
- Takes into account all the relevant policies, legislation and other mandates for which the Provincial Treasury is responsible;
- Accurately reflects the impact and outcomes which the Provincial Treasury will endeavour to achieve over the period 20/20 – 20/25.



B Moea
Acting Chief Director
Sustainable Resources Management



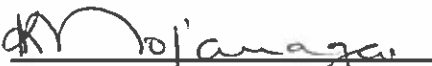
O Vermeulen
Acting Chief Director
Asset and Liabilities Management



S Ruiters
Acting Chief Director
Financial Governance



J van Tonder
Chief Director
Provincial Internal Audit



K Mojanaga
Chief Financial Officer

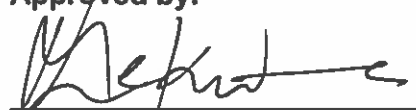


BN Maibi
Head Official Responsible for Planning



LG Bosvark
Acting Accounting Officer

Approved by:



M Lekwene MPL
Executive Authority

Part A: Our Mandate

1. Constitutional mandate

Provincial Treasury's mandate emanates from the Section 216 and 226 of the Constitution of Republic of South Africa. Section 216 indicates that National Legislation must establish a National Treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government. The National Treasury must enforce compliance with the measures established in terms of subsection (1).

Emanating from this constitutional mandate, a Provincial Treasury in line with section 18 of the Public Finance Management Act (PFMA) must promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of provincial departments and public entities.

Section 226 indicates that there is a Provincial Revenue Fund for each province into which all money received by the provincial government must be paid, except money reasonably excluded by an Act of Parliament. In line with this provision, the PFMA section 21 states that the Provincial Treasury of a province is in charge of that province's revenue fund and must enforce compliance with the provisions of section 226 of the Constitution.

2. Legislative and policy mandates

The following legislative and other mandates that the department is directly responsible for implementing, managing or overseeing.

2.1 Legislative mandates

Constitution Act No.108 of 1996, Chapter 13	The supreme law of the Republic, law or conduct inconsistent with it is invalid and the obligations imposed by it must be fulfilled.
Public Finance Management Act (Act 1 of 1999) as amended (PFMA)	To regulate financial management in the National Government and Provincial Governments, to ensure that all revenue, expenditure, assets and liabilities of the governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those governments and to provide for matters connected therewith.
Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA)	To secure sound and sustainable management of the financial affairs of the municipalities and other institutions in the local sphere of government; to establish treasury norms and standards for the local sphere of government and to provide for matters connected therewith.

Division of Revenue Act as annually enacted	To provide for the equitable division of revenue anticipated to be raised nationally among the national, provincial and local spheres of government and the reporting requirements for allocation pursuant to such division; to permit the withholding and the delaying of payments in certain circumstances; to provide for liability for costs incurred in litigation in violation of the principles of co-operative governance and intergovernmental relations and to provide for matters connected therewith.
Treasury Regulations, March 2005 (as amended)	To regulate for the requirements for strategic planning as the basis for the preparation of budgets; to set minimum standards for financial management, clarification of roles; to instilling a culture of output measurement; to regulate and provide guidelines for the handling of property, disposal of state assets, disposal of immovable state assets and procurement.
Preferential Procurement Policy Framework Act (Act 5 of 2000)	To provide regulatory framework enabling and assisting departments and potentially disadvantaged Individuals (HDI's) in the sustainable development and implementation of preferential procurement system.
Public Service Act (Act 103 of 1994) as amended	To provide for the organization and administration of human resources management, which includes the regulation of conditions of employment, terms of office, discipline, retirement and discharge of staff and matters connected therewith.
Promotion of Access to Information Act, 2000 (Act 2 of 2000)	To give effect to constitutional right of access to any information held by the state and any information that is held by another person and that is required for the exercise or protection of any rights; and to provide for matters connected therewith.
Employment Equity Act, 1998 (Act 55 of 1998)	To regulate the process and procedures in achieving a diverse and competent workforce broadly representative of demographics of the country and eliminating unfair discrimination in employment towards implementing equity.
Labour Relations Act, 1995 (Act 66 of 1995)	To regulate and guide organisations in recognizing and fulfilling their roles in effecting labour harmony and democratization of the workplace.
Municipal Systems Act (2000) and Development facilitation Act (1995)	To support and monitor municipal Integrated Development Planning (IDP)
Broad Based Black Economic Empowerment Act 2003	To establish a legal framework for the empowerment, align the Preferential Procurement Policy Framework 2000 with the aims of Broad Based Black Economic Empowerment Act and association Codes of good practice

2.2 Policy mandates

POLICY MANDATES	PURPOSE
National Development Plan	The department should ensure that its plans are aligned to the country's development plan. This will ensure achievement of socio-economic development and growth
Medium Term Strategic Framework(MTSF) 2020 -2024	The department must develop a five year strategic plan and budget requirement taking into account the medium-term imperatives as outlined in the MTSF 2020 – 2024
Northern Cape Provincial Growth and Development Strategy (NCPGDS)	Given the limitations of funding from the equitable share and provincial own revenue, the department has a responsibility to find alternative mechanisms to leverage additional funding for promoting growth and development in the province
Integrated Development Plans	To assist in determining the credibility of Integrated Development Plans and Municipal Budgets as well as facilitate integrated planning among the three spheres of government
Human Resource Development Strategy	To maximise the potential of the people of South Africa, through the acquisition of knowledge, skills and values, to work productively and competitively in order to achieve a rising quality of life for all, and to set in place an operational plan, together with the necessary institutional arrangements, to achieve this
Implementation of the PT & COGSTA MoU	To clarify the roles and consolidate efforts between NCPT and COHGSTA in rendering support to municipalities; Collaborate and cross cutting issues and synchronise efforts in providing assistance to municipalities through "Back to Basics" programme
Provincial strategy to support municipalities	<ul style="list-style-type: none"> • Promote credible and reliable financial reporting by enforcing; • The implementation of control activities in all financial management functional areas; • Build financial management capacity in municipalities in a holistic approach by addressing individual institutional and organisation gaps; • Enhance control environment in municipalities to improve oversight and accountability; • Municipal financial viability through sustainable operations that will enable service delivery

3. Institutional Policies and Strategies over the five year planning period

The department's strategic plan has been developed in consideration of the following policies:

- Provincial Growth Development Plan 5-Year Implementation Plan & Monitoring Framework as per the following outcomes indicators
 - MTSF priority 1: Economic Transformation and Job Creation
 - MTSF priority 4: Spatial Integration, Human Settlements & Local Government
 - MTSF priority 6: A Capable, Ethical & Developmental State

- Northern Cape Provincial Growth and Development Plan;
 - NCPGDP Pillar 4: Effective, Efficient & Accountable Governance
 - NCPGDP Pillar: 4.2 Effective Local Government;
 - NC PGDP Pillar 1: Economic Transformation, Growth & Development.

The following are the key strategies that the department intends on implementing in fulfilling the requirement of the above Policies:

Key Drivers	Strategy to unlock key drivers in order to accomplish outcomes
Enforcement Enforcement of Legislation to improve sound governance	<p>To ensure effective enforcement of legislation, Provincial Treasury would ensure that monitoring activities thoroughly analyses the finances of each department and municipality in order to provide the Executive Member with timeous and relevant information, which will empower him to hold organisations accountable.</p> <p>All non-compliance will be investigated adequately and if necessary result in enforcement of consequence management, i.e. implementation of section 18 of the PFMA.</p> <p>Implement consequence management to ensure that irregular and unauthorised expenditure is reduced and deterred</p>
Leadership (Internal & External) Leadership to create a culture of stability and accountability resulting in good governance	<p>The Executive Authority being the head of Provincial Treasury responsible for prudent financial management will:</p> <ul style="list-style-type: none"> • issue directives on sound financial management; • Convene quarterly meeting relevant stakeholders to outline the financial position and management of the province; • Ensure that key positions are filled in order to create a culture of stability and accountability resulting in good governance, • Implement Proper delegations of powers
Capacity Capable and modern state to accelerate service delivery	<p>To create a capable workforce that delivers on its mandate, Provincial Treasury will:</p> <ul style="list-style-type: none"> • Finalise the Organisational structure and ensure that it is responsive to the strategies that need to be implemented; • Empower its officials through coaching, mentoring, succession planning and Address skills gaps through training initiatives including, Membership to Professional bodies; • Performance Agreements will be SMART performance agreements –aligned to NCPT Plan

	<ul style="list-style-type: none">• Develop an information management & knowledge sharing platforms
--	---

4. Relevant Court Rulings

There are no current or specific court rulings that will have a significant impact or ongoing impact on the operations or service delivery obligations of the department.

Part B: Our Strategic Focus

5. Vision

To be the heartbeat of sound financial management that supports economic growth and development.

6. Mission

We strive to promote sound fiscal policy that enables financial sustainability and supports Economic development.

7. Values

The core values that the Northern Cape Provincial Treasury espouses are:

- Batho Pele
- Integrity
- Excellence
- Professionalism
- Agility

8. Situational Analysis

The South African Constitution, Chapter 10, section 195 states that Public Administration should be governed by amongst others, the following democratic values and principles:

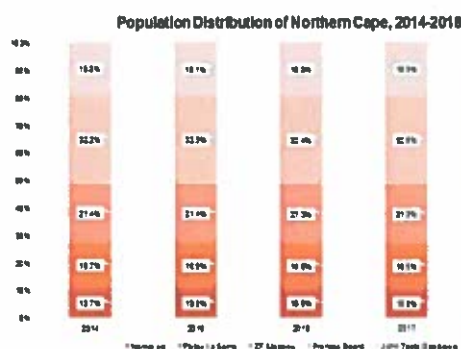
- Promotion and maintenance of high standard of professional ethics;
- Promotion of efficient, economic and effective utilisation of resources;
- Services must be provided impartially, fairly, equitably and without bias;
- People's needs must be responded to and the public must be involved in policy making; and most of all;
- Public administration must be accountable.

Furthermore, Provincial Treasury as a custodian of the provincial resources is required to support and promote:

- Economic growth and job creation initiatives;
- Revenue enhancement and debt collection;
- Prudent management of provincial expenditure;
- Reduction of debt and unauthorised expenditure;
- Improvement of financial governance; and
- Management of the public sector wage bill.

The strategic focus of the Department over the next five year will be facilitate the improvement of financial management and good governance in order to ensure sustainability and financial viability of the province, thus restoring public confidence. The above mentioned measures which aligned to the MTSF priorities, especially priority 1, 4 and 6, will ensure that we achieve the envisaged outcomes. We will continue to place much focus on municipalities as the sustainability and growth of the province significantly depends on them. We will be re-engineering process and repositioning ourselves to be catalyst of good governance and sound financial management.

The Northern Cape has the smallest population, of 1.3 million and yet constitute about 30 per cent of South Africa's land mass. The vastness of the provinces poses serious challenges for service delivery especially with regards to health and education services. The population of the province is distributed as follows:

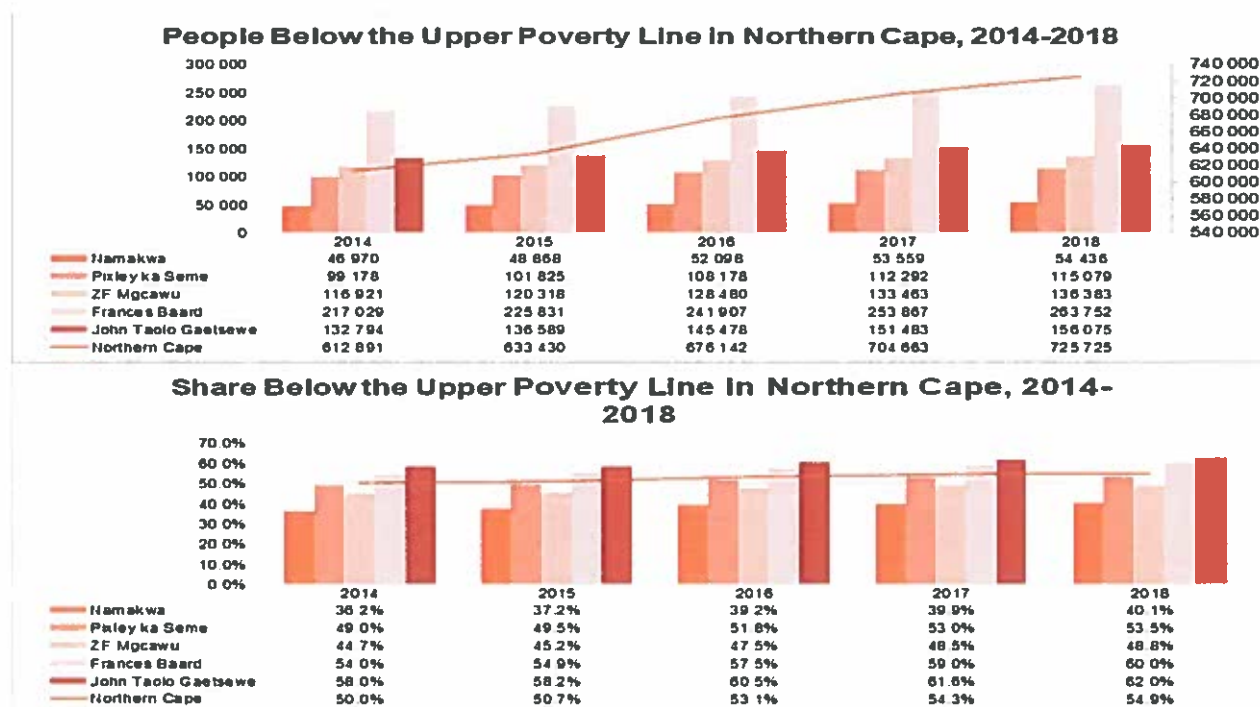


Total Population of Northern Cape per District, 2014-2018

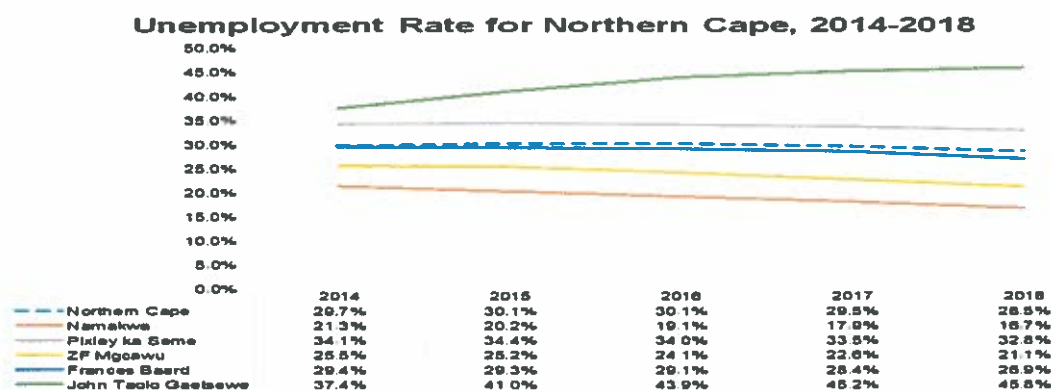
District	2014	2015	2016	2017	2018
Namakwa	131 288	132 885	134 476	136 104	137 750
Pixley ka Seme	204 495	207 827	211 108	214 399	217 668
ZF Mgcawu	262 016	266 746	271 301	275 781	280 141
Frances Baard	394 699	403 620	412 461	421 363	430 215
John Taolo Gaetsewe	232 180	238 136	244 023	249 906	255 717
Northern Cape	1 224 678	1 249 213	1 273 370	1 297 555	1 321 491

Source: IHS Markit, 2020 [Regional eXplorer, 1854 (2.6)]

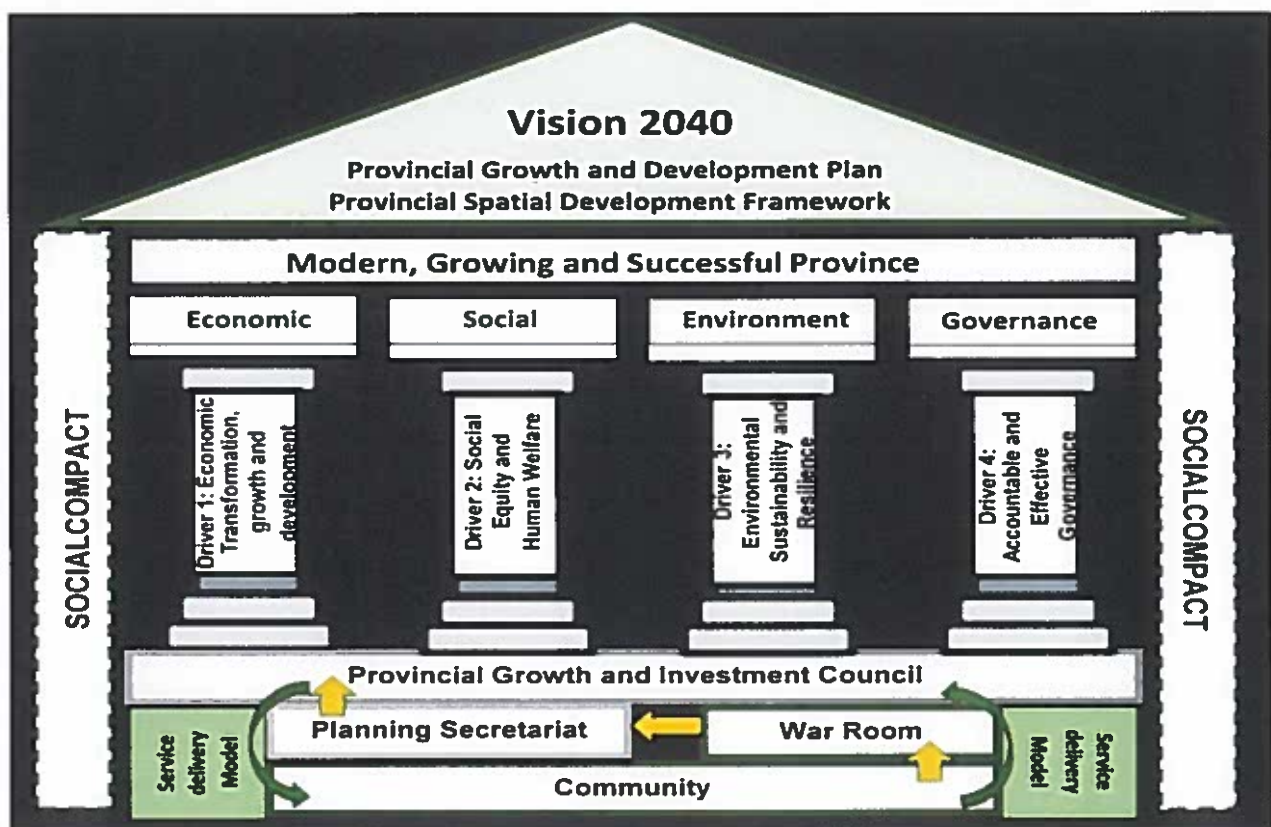
The province is not a rural province, however poverty levels are significantly high at a rate of 54% of household living in poverty. This is illustrated in the following graph:



The poverty levels of 54% percent, are contributed by the high unemployment rate, especially amongst the youth. The current employment rate as at 2018, 28.2 percent and is illustrate as follows:



In addressing the challenges of poverty and unemployment the province developed a Provincial Growth and Development Strategy which has outlined pillars to enable growth of the province. Provincial Treasury will be central in the facilitation of key programme deliverables in this regard



Service delivery demands

Provincial Treasury exercises oversight over 13 Departments, 30 municipalities and 6 public entities. The provincial financial and governance status necessitates a vigorous approach to ensure that accountability is institutionalised in all institutions resulting in financial sustainability.

Our provincial unauthorised expenditure increased from R202 million in 2014 to R965 million in 2019, this represents an increase of 355% in a period of five years. The negative bank balance has increased to R220.042 million and will continue to increase with the persistent overspending of allocated budgets by certain departments. This poses a risk to the provincial finances such that the province might not be able to fulfil its cash flow obligations in the near future.

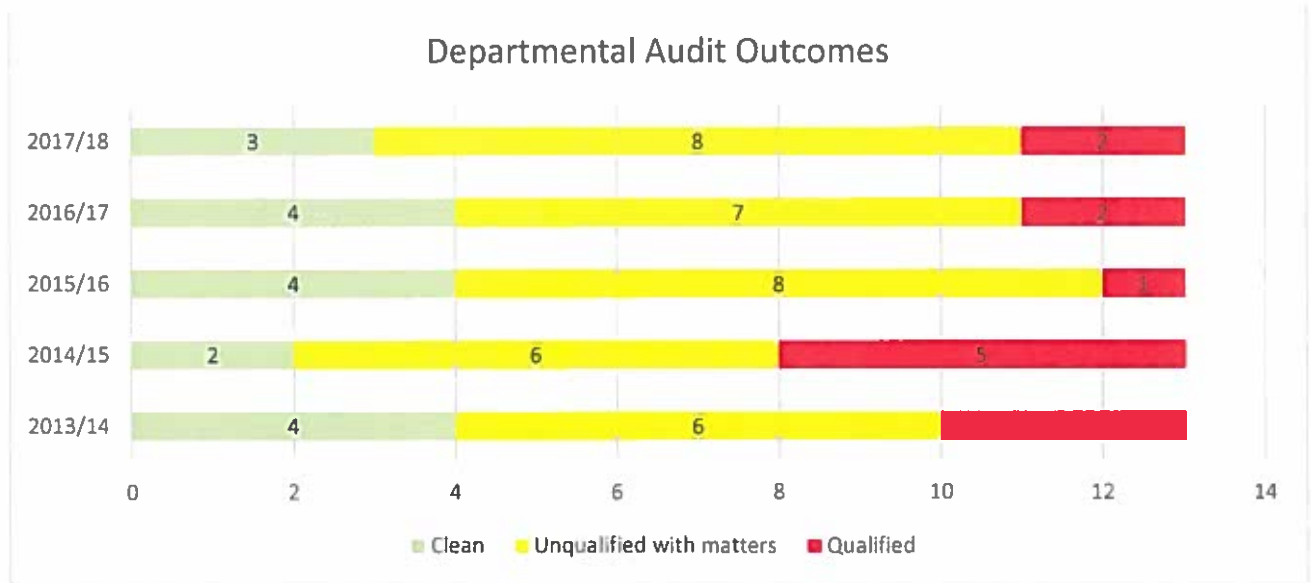
Furthermore, the accruals has also increased significantly over the past years, from R1,1 billion in 2014/15 to R1.7 billion in 2018/19. The main contributors being department of Health and Roads and Public Works.

The province has to implement and enforce cost effective measures on department's spending in order to curb the overspending and to promote budget reprioritizations within allocated resources. The savings derived from this initiative over a short to medium period, will allow the province to reduce the provincial overdrawn bank balance and eventually break-even.

Non-compliance to laws and regulations by provincial departments increased over the years. The non-compliance was mainly due to departments not following the Supply Chain Management (SCM) prescripts as required. Irregular Expenditure escalated to R11 billion as at the end of the 2019 financial year.

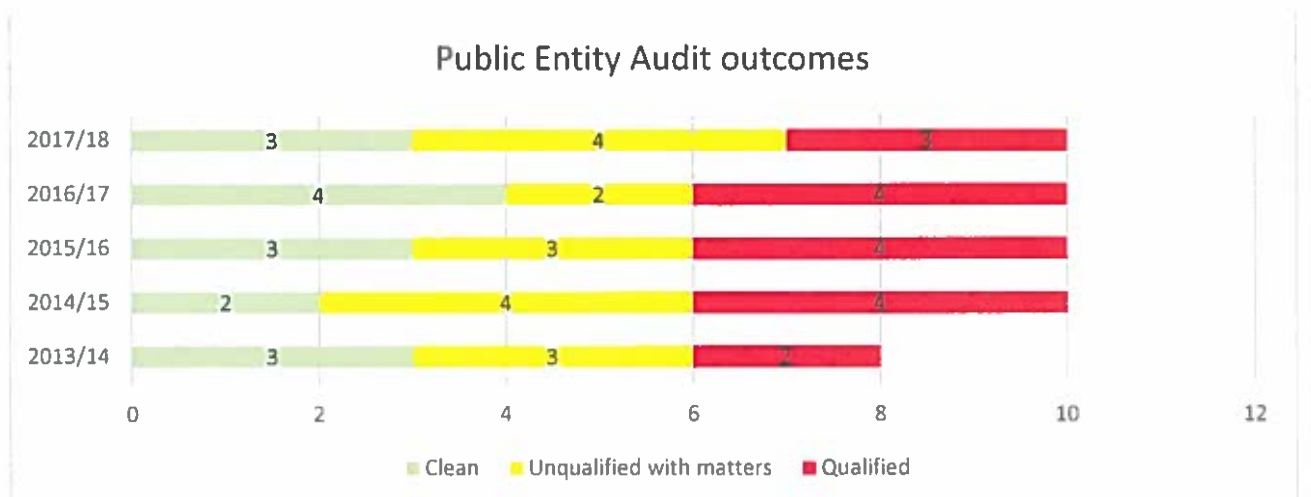
This persistent noncompliance significantly affects the audit outcomes. These can be depicted as follows:

Departmental Audit Outcomes



The province has worked hard to ensure that there are no disclaimers of opinion and to improve audit outcomes.

Public Entities Audit outcomes



It is also worth mentioning that in the last five (5) years, no entity received a disclaimer of opinion.

Municipal Audit outcomes

The province has 30 municipalities over the years there minimal improvement since more than 60 per cent of the municipalities are still receiving unfavourable audit outcomes.



The audit outcomes at the beginning of the review period were disastrous with 65 per cent of the provincial municipalities receiving disclaimer opinions and nine (9), which is 29 per cent municipalities received qualified opinions from the Auditor General South Africa (AGSA). This was due to failure of providing supporting evidence to substantiate the figures reported in the annual financial statements. The province recorded only two (2) unqualified audit opinions which represented 6 per cent. The situation improved over the number of years and the province obtained more unqualified audit opinions. This is attributable to the support provided by provincial government.

The above audit outcome needs to be assessed in context of the financial capability maturity level. The financial maturity level of departments and municipalities has remained constant with little improvement. As a province we are still hovering just below level 3, which is the required standard. Improving the maturity level will further improve the audit outcomes of the province.

It is clear that the above financial and governance status quo will require Provincial Treasury to have adequate capacity to deliver on the said mandate.

SWOT Analysis

In order to meet the service delivery demands it is essential we conduct an introspection to determine the weakness and strengths. The SWOT analysis depicted below indicates the outcome of the analysis:

Strengths	Weakness
<ul style="list-style-type: none"> - Technical capacity in the area of accounting and budget management, which is readily available to improve our performance and performance of other departments and municipalities in the province. - Competent management team, which is largely young and skilled. Over 90% of senior management positions are filled and there is relatively a low turn-over rate at management level, which augurs well for institutional development and memory. - Unqualified audit reports with no matters for four years, which points to the fact of the departmental turn-around in terms of internal performance environment. 	<ul style="list-style-type: none"> - Insufficient use of the tools of strategic management, which at times affects the regularity of strategic planning, implementation, control, decision-making, reporting, guidance and communication - The finalization of the organizational structure that is aligned to the generic treasury structure - Vacancies in critical position especially the Head of Department that has been vacant for the past six years - Enforcement of the prescripts
Threats	Opportunities
<ul style="list-style-type: none"> - The shrinking national budget that results in budget cuts affecting the outlook of the province - Quality of audit outcomes, which still have matters of emphasis including the irregular and unauthorised expenditure. 	<ul style="list-style-type: none"> - Embracing the 4th industrial revolution by automating most of the process of the department; - Participation of Provincial Treasury in all provincial major project initiatives; - Process of realigning the budget to the policy priorities - Skills and development programmes in place which takes care of succession and continuity of supply of necessary human resources

Stakeholders Analysis and Collaborative Efforts:

In order to enforce and promote accountability, we conducted an analysis of stakeholders that will influence the achievement of the outcomes. We assessed their respective level of influence and interest as follows:



In view of the above stakeholders it needs to be noted enforcing accountability cannot be solely executed by Provincial Treasury. It is on this basis that the department collaborates with COGHSTA on municipal issues as well as Office of the Premier on planning and monitoring of the institutions. A Corporative Governance Memorandum that has been signed between PT and the Provincial COGHSTA, indicates that PT will deal with financial management issues while COGHSTA focuses on governance around the MFMA. Although the roles are clearly defined in the memorandum our interventions will be streamlined and intertwined to ensure maximum impact. Provincial Treasury also engages with SALGA and COGHSTA regarding the implementation of a Performance Management System Policy.

8.1. External Environment Analysis

The country's economic environment has deteriorated significantly since 2011. This is depicted in the graph below which indicates the low GDP growth rates of both the country and the province.

GDP Growth Rates for South Africa and Northern Cape, 2008-2022



Source: Statistics South Africa Gross Domestic Product (SA 2008-2017, NC 2008-2017), National Treasury MTBPS 2019 (SA 2018-2022), * 2019 estimate, 2020-2022 forecasts, * Constant 2010 Prices

In 2017, the growth rate of the province was higher than that of the country. National growth is forecasted to remain subdued in the medium term. Slow growth lowers revenues generated from taxation and increases debt resulting which further increases debt service costs. This then displaces real spending. Furthermore the fiscus is put under tremendous pressure due to State Owned Entities s, e-tolls, NHI, RAF and increasing wage bill. The graph below depicts the growing budget deficit due to debt:

Main budget revenue and expenditure

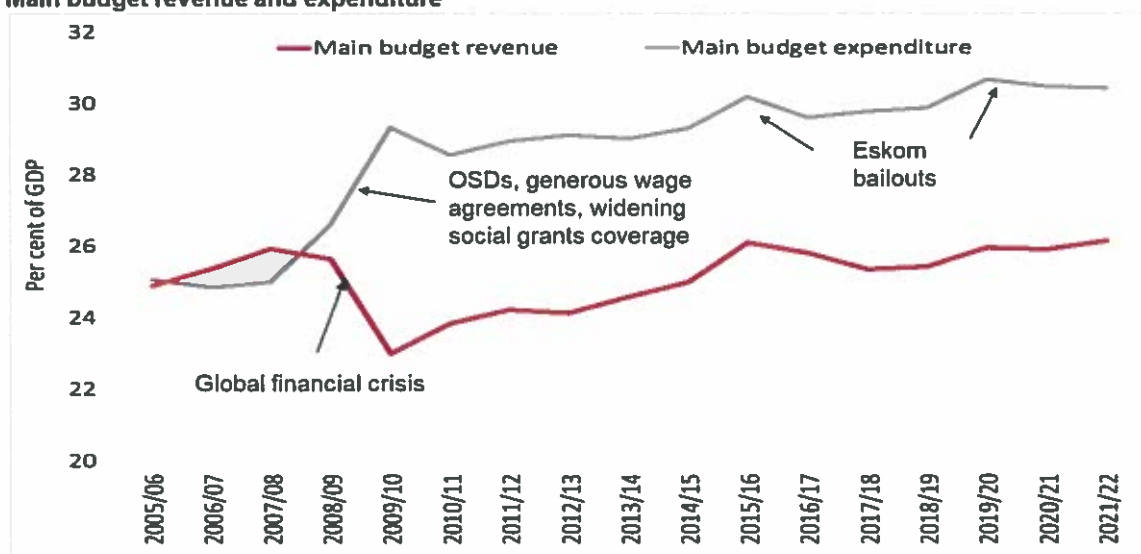


Table 1.1 below shows the different sectors' contributions to the GDP of the Northern Cape from 2014 to 2017.

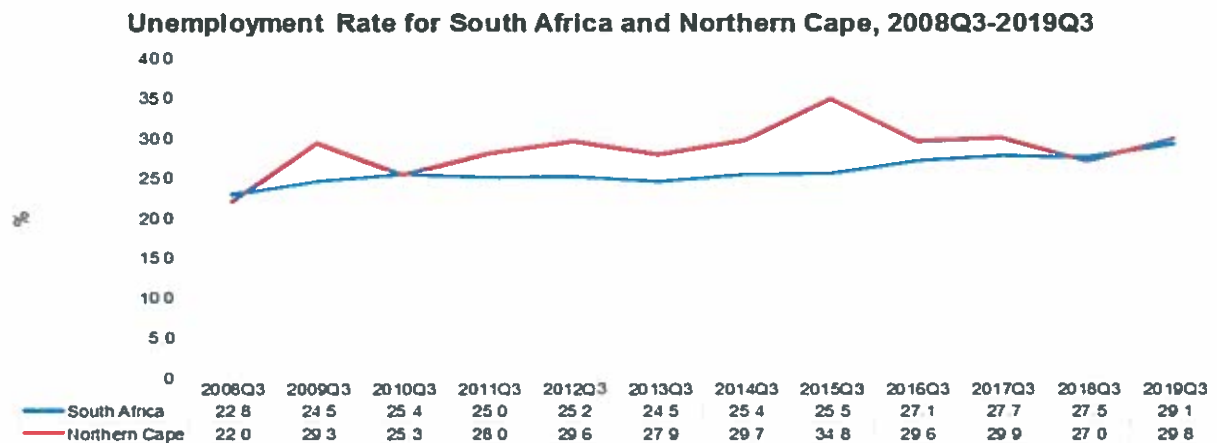
Table 1.1: Contributions to GDP, 2014 - 2017

Sector	Contributions to GDP (%)			
	2014	2015	2016	2017
Primary Sector	27,7	25,0	25,5	27,3
Agriculture, forestry and fishing	6,8	6,9	6,6	7,1
Mining and quarrying	20,9	18,2	18,8	20,2
Secondary Sector	9,1	9,3	9,9	9,2
Manufacturing	3,0	3,0	3,2	3,1
Electricity, gas and water	3,8	3,7	3,6	3,5
Construction	2,3	2,5	3,0	2,7
Tertiary Sector	53,0	55,4	54,0	53,7
Trade, catering and accommodation	10,7	11,1	10,8	10,7
Transport, storage and communication	10,9	11,6	11,0	10,8
Finance, real estate and business services	11,3	12,6	12,1	11,9
Personal services	4,9	4,8	4,7	4,8
General government services	15,2	15,2	15,3	15,5
All industries at basic prices	89,8	89,7	89,4	90,2
Taxes less subsidies on products	10,2	10,3	10,6	9,8
GDPR at market prices	100,0	100,0	100,0	100,0

Source: StatsSA, P0441-Q4 2018

Mining and quarrying was still the largest industry in the province, contributing 20.2 per cent to the provincial GDP in 2017. This is followed by General government services at 15.5 per cent and Finance, real estate and business services, contributing 11.9 per cent. The Secondary sector was the smallest of the three sectors for all the years under review. As a province we need to come up with initiatives to development this sector to further enhance the economy of the province. Manufacturing contributed only 3.1 per cent to the GDP of the province in 2017. Mineral beneficiation, agro-processing and other manufacturing initiatives could further boost the growth of the provincial economy.

Unemployment also poses a significant risk to the province. The below graph shows that the provincial unemployment rate has reduced from a high of 34.8 per cent in quarter 3 of 2015 to 29.8 per cent in quarter 3 of 2019. This is however still significantly higher than the unemployment rate of 22.0 per cent recorded in quarter 3 of 2008.



Source: Statistics South Africa

The province should continue to look for labour intensive and youth employment job creation opportunities to address the high unemployment rate in the province.

The slow economic growth coupled with various unavoidable factors including the reduction on the equitable share of the province, the continued over spending mainly in Health and Education, drastic increase in accruals, under collection of revenue and increasing baseline cuts places the provincial fiscus under significant risk.

8.2. Internal Environment Analysis

Provincial Treasury is a human resource driven department, thus it becomes imperative to have adequate and skilled officials to execute the mandate of the department. The organisational environment of the department has been significantly stable over the past five years.

In view of the service delivery demands placed on us, especially by the delegated municipalities, the department embarked on a process of revising and realigning the organisational structure. The revision is aligned to the generic provincial treasuries structure. The employment stats are indicated in the table below:

Table 17.2: Summary of departmental personnel numbers and costs by component

R thousands	Actual						Revised estimate		Medium-term expenditure estimate						Average annual growth over MTEF		
	2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		2018/19 - 2021/22		
	Personnel numbers ¹	Costs	Personnel numbers ¹	Costs	Personnel numbers ¹	Costs	Filled posts	Additional posts	Personnel numbers ¹	Costs	Personnel numbers ¹	Costs	Personnel numbers ¹	Costs	Personnel growth rate	Costs growth rate	% Costs of Total
Salary level																	
1 – 6	57	11,472	57	12,243	119	14,875	129	7	130	22,735	58	16,853	58	18,220	-34.7%	-5.4%	8.2%
7 – 10	178	70,217	187	75,479	185	82,871	188	18	208	121,681	212	105,801	224	111,285	2.8%	4.8%	44.8%
11 – 12	57	42,883	84	45,007	87	50,447	87	6	73	58,051	74	60,106	77	63,477	1.8%	4.8%	25.8%
13 – 16	27	34,225	27	35,728	27	43,876	25	2	27	47,945	27	50,185	27	51,857	-	8.8%	21.9%
Other	11	456	-	481	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	330	158,343	335	168,948	387	191,871	409	33	442	228,882	369	228,547	386	246,985	-4.4%	4.3%	100.0%
Programs																	
1 Administration	122	43,021	112	48,730	142	54,151	127	8	135	63,439	110	65,245	115	66,633	-5.2%	4.8%	27.8%
2 Sustainable Resource	57	32,847	89	38,027	96	46,775	116	1	117	54,200	78	52,038	82	57,822	-11.2%	2.2%	32.7%
3 Assets And Liabilities Management	69	31,378	68	33,651	69	39,885	89	2	91	48,842	82	50,981	87	54,106	-1.9%	4.8%	21.8%
4 Financial Governance	27	16,210	32	18,147	35	23,157	36	4	40	28,540	40	30,367	41	32,283	0.8%	5.0%	12.9%
5 Provincial Internal Audit	55	24,154	54	26,704	55	27,883	41	13	58	32,181	58	34,905	61	36,833	1.1%	5.5%	14.8%
Direct charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	330	147,982	335	164,239	387	191,871	409	33	442	228,882	369	228,547	386	246,985	-4.4%	4.3%	100.0%
Employee dispensation classification																	
Public Service Act appointees not covered by OSDs	-	-	342	171,874	342	191,871	440	-	440	228,882	372	223,547	372	246,985	-5.4%	4.3%	100.0%
Public Service Act appointees still to be covered by OSDs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Nurses, Staff Nurses and Nursing Assistants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal Professionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Services Professions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Professions and related occupations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical and related professions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Therapeutic, Diagnostic and other related	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allied Health Professionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educators and related professions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others such as interns, EPWP learnerships, etc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	342	171,874	342	191,871	440	-	440	228,882	372	223,547	372	246,985	-5.4%	4.3%	100.0%

Employment Equity: Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2019.

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	8	1	-	4	7	1	-	-	21
Professionals	53	14	1	1	50	21	1	4	145
Technicians and associate professionals	19	7	-	-	46	19	-	2	93
Clerks	7	2	-	-	21	10	-	1	41
Elementary occupations	22	7	-	-	41	6	-	-	76
Total	109	31	1	5	165	57	1	7	376
Employees with disabilities	-	2	-	-	4	1	-	-	7

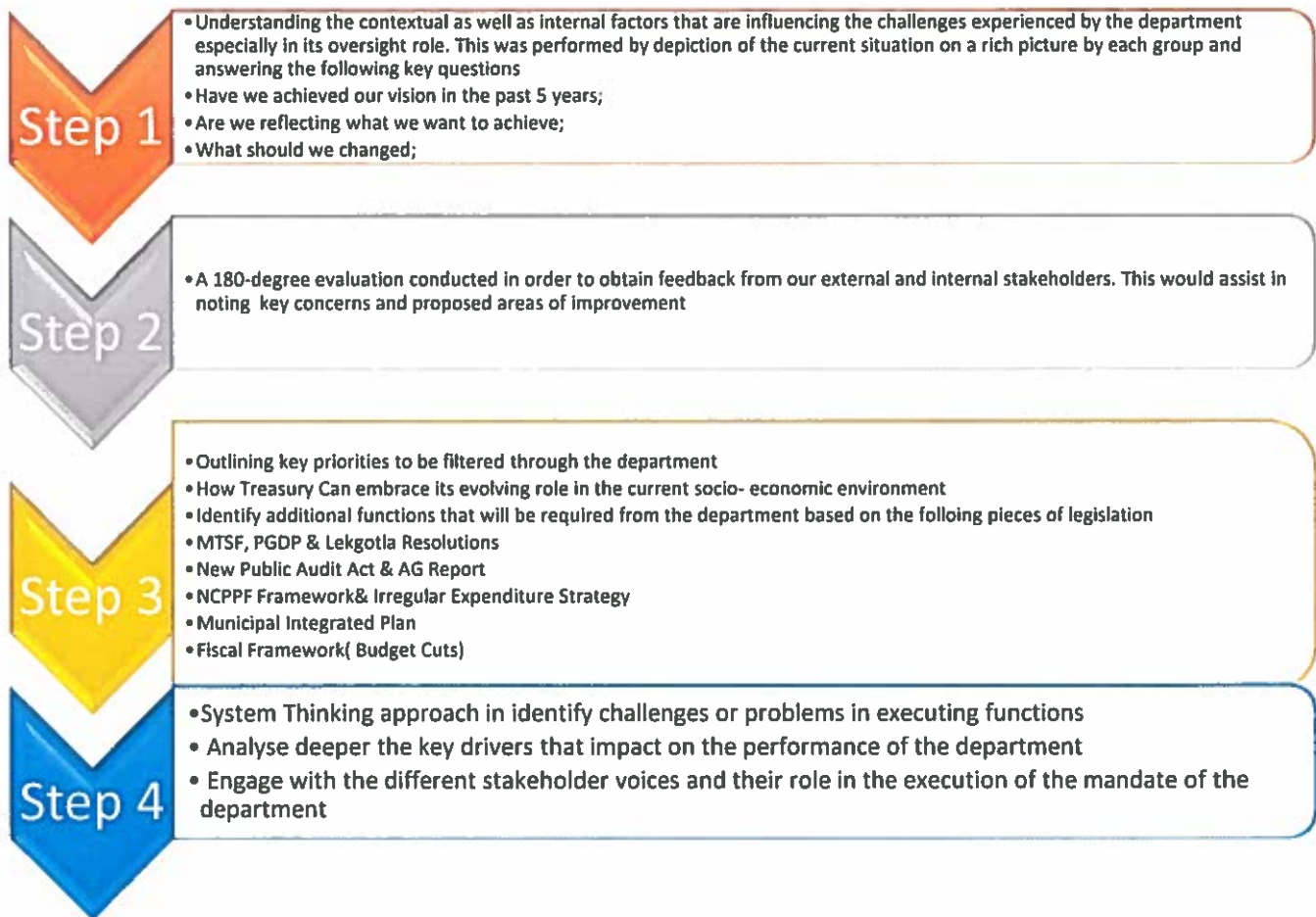
Part C: Measuring Our Performance

9. Institutional Performance Information

In developing the strategic plan the department performed an extensive introspection by applying the systems thinking approach. This methodology was applied as it encompasses the following planning tools:

a) Problem and Solution tree analysis

The following methodology was applied:



As an oversight organisation we have realised that there is no visible change in the external environment that we have been operating in, either due to the fact our recommendations and strategies do not have the required impact or these recommendations and strategies have not been implemented adequately by the relevant stakeholders. We have noted that there are complicated situations that have many independent variables and complex situation that have

many perspectives, thus in resolving these situations we cannot apply a one size fits all approach. This mechanistic approach has resulted in

- Separation of design and operations (e.g. policy & implementation);
- Delink between cause and effect;
- System or structural failures.

Systems thinking approach has allowed the organisation to consider a holistic approach, whereby the whole is considered and the required interaction of various parts for the ultimate achievement of the goal. In the introspection that was conducted we responded to the question of what is our core purpose and if we are implementing it fully. The following were the key responses on what our purpose is as a department:

- To be the heartbeat of sound financial management;
- Perform oversight/watch over the finances of the province;
- Safeguard the fiscus of the province;
- To ensure good financial governance in the province; and
- To allocate budget to organisation

There was also consensus that the purpose has not been adequately implemented due to various challenges which include the inability to enforce legislation, lack of integrated planning and report, misalignment of plans, lack of skills internally and externally and limited financial resources.

In developing the outcomes indicated below, the organisation went through a process of identify 8 main factors that influence the achievement of the mandate of the department. The inter-relatedness of the main factors were mapped to determine the key drivers that will unlock the desired outcomes. These key drivers have been indicated Part A section.

The outcome of this process resulted in the department identifying two outcomes that are essential in fulfilling its mandate, namely,

- Sound financial management and good financial governance and
- Financial Viability and sustainability of the Province

9.1. Measuring the Impact

Impact statement	Fiscal sustainability to restore public confidence in the province.
Aligned MTSF Priority 6:	A capable, ethical and developmental state
Aligned to MTSF Priority 4:	Spatial Integration, Human Settlements & Local Government

9.2. Measuring Outcomes

Outcome	Outcome indicator	Baseline	Five year target
Sound financial management and good financial governance	Provincial Audit outcomes	2 Qualified 9 unqualified 2 Clean	13 Clean Audit Opinion for Departments
		2 Disclaimed 15 Qualified 10 unqualified 1 Clean 2 Outstanding	21 Unqualified 9 Qualified for municipalities
	Reduction of wasteful and fruitless expenditure	R141 million	R70.5 million
	Reduction in irregular expenditure	R11 billion	R5.8 billion
	Reduction in unauthorised expenditure	R961 million	R20 million
	Financial Management Capability Maturity Model (FMCMM)	2.93 departments	4
		2.64 municipalities	
Financially Viable Province	Balance of consolidated provincial bank account (exchequer account)	A negative bank balance and overdraft – R 200 million	Positive Bank Balance
	Reduced provincial debt	R1,7 billion in accruals R447 million in accounts receivable	R850 million in accruals R200 million in accounts receivables

Outcome	Outcome indicator	Baseline	Five year target
	Number of Municipalities that are financial viable	15 municipalities	30 municipalities
	% government set aside spend by provincial departments on Designated groups to in accelerating economic growth	60% on locally based companies 40% black owned companies 30% on youth owned companies 20% on women owned companies 5% on disabled owned companies	60% on locally based companies 60% on black owned companies 30% on youth owned companies 20% on women owned companies 5% on disabled owned companies

9.3. Explanation of Planned Performance over the Five Year Planning Period

Provincial Treasury, as the heartbeat of sound financial management, is required to support departments, municipalities and entities in exercising sound financial management. Good financial management enable an organisation to effectively fulfil its mandate and deliver service delivery effectively and efficiently. As indicated in the situational analysis, good financial governance has regressed over the years and it is essential that this trajectory is reversed in order to build public confidence and ensure that services are delivered adequately.

This outcome as indicated above is aligned to the Outcome 6 of the MTSF, A capable, ethical and developmental state, thus the achievement of this outcome is dependent on all parties. Each department, municipality and entity is a key enabler in achieving this target. Furthermore, the relevant oversight bodies such as Office of Premier, Legislature, Municipal Councils and Entity boards should ensure that organisations are held accountable for their actions and contribution towards the achievement of this target.

As the custodian of the provincial resources it is important that we ensure that resource allocation is sustainable and accelerates service delivery. The current fiscal environment is significantly constrained and the debt levels continue to increase as a result of fiscal ill-discipline and continuous baseline cuts. These prompts the need to implement strict austerity measures without compromising service delivery.

The first priority of the 2024 MTSF is Economic Transformation and Job Creation, thus as a province we have set the target to increase our GDP growth from 2.8% to 3.5%. This target is coupled with the target of reducing unemployment especially for the youth. Thus, it becomes our responsibility to ensure that resource allocation enables the achievement of these targets.

Resource allocation is possible in an environment that exercise fiscal discipline. Fiscal discipline allows the province to operate in a sustainable and viable manner.

10. Key Risks

Outcome	Key Risk	Risk Mitigation
Sound financial management and good financial governance	Irrelevant support interventions with the Province as a result of misrepresentation in reports provided	Validation of reports submitted by departments and municipalities prior to consolidation to determine adequacy, relevancy and completeness
	Leadership instability due to vacancies in critical positions which in turn hampers service delivery	Provincial Treasury and COGHSTA to assert power of influence to fill key vacancies particularly in the Municipal environment
Financially Viability and sustainability of the Province to accelerate economic growth	(Over)/ underspending of the budget	<ul style="list-style-type: none"> • Source alternative revenue generating sources • Consequence management • Implementation of first charge against the vote in the event of overspending • Initiate intervention with National Treasury to ensure compliance (withholding of funds)

11. Public Entities

The department has no public entities reporting to it.

Part D: Technical Indicator Description (TID)

Indicator Title	Provincial Audit outcomes
Definition	Supporting departments, public entities and municipalities to improve their audit outcomes which will be evidence of sound financial governance
Source of data	Audit Reports issued by the Auditors
Method of calculation/ assessment	Simple count (Audit opinions received by organisation)
Assumptions	All organisations will be audited by the Auditor General, thus audit opinions will be available
Disaggregation of Beneficiaries(where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Reporting cycle	Annual progress against the five year target
Desired performance	Annual improvement of audit outcomes
Indicator responsibility	Accounting Services

Indicator Title	Reduction of wasteful and fruitless expenditure
Definition	Supporting departments, public entities and municipalities to reduce Fruitless and wasteful expenditure, which is expenditure made in vain and would have been avoided had reasonable care been exercised
Source of data	Annual financial statements and UIF Registers
Method of calculation/ assessment	Accumulated amount reported by entities
Assumptions	Accurate information submitted by the organisations
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Reporting cycle	Annual progress against the five year target
Desired performance	Annual reduction of fruitless and wasteful
Indicator responsibility	Norms and Standards

Indicator Title	Reduction of irregular expenditure
Definition	Supporting departments, public entities and municipalities to reduce irregular expenditure, which is expenditure made in contravention of or that is not in accordance with a requirement of any applicable legislation
Source of data	Annual financial statements and UIF Registers
Method of calculation/ assessment	Accumulated amount reported by entities
Assumptions	Accurate information submitted by the organisations
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Reporting cycle	Annual progress against the five year target
Desired performance	Annual reduction of irregular expenditure
Indicator responsibility	Norms and Standards

Indicator Title	Reduction of unauthorised expenditure
Definition	Supporting departments, public entities and municipalities to reduce unauthorised expenditure, which is in the main over expenditure.
Source of data	Annual Financial Statements and Fiscal Framework
Method of calculation/ assessment	Accumulated amount reported by entities
Assumptions	No Department will overspend during the period under review Accurate information submitted by the organisations
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Reporting cycle	Annual progress against the five year target
Desired performance	Annual reduction of unauthorised expenditure
Indicator responsibility	Budget Management

Indicator Title	Financial Management Capability Maturity Model (FMCMM) Score
Definition	Supporting departments, public entities and municipalities to improve financial management capability maturity level
Source of data	FMCMM assessment
Method of calculation/ assessment	Outcome level from assessment
Assumptions	Accurate assessment by organisations
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Reporting cycle	Annual progress against the five year target
Desired performance	Level 4 for all organisations
Indicator responsibility	All Programmes

Indicator Title	Balance of consolidated provincial bank account (exchequer account)
Definition	To move from a negative to a positive financial position, thus improving the bank balance of the consolidated provincial bank account
Source of data	Exchequer account and PMG
Method of calculation/ assessment	Amounted indicated on the reconciled bank account
Assumptions	Accurate bank reconciliations
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Reporting cycle	Annual progress against the five year target
Desired performance	Positive Bank Balance
Indicator responsibility	Banking and Cashflow

Indicator Title	Reduced provincial debt
------------------------	--------------------------------

Definition	Reduction of provincial debt to improve the financial viability of the province
Source of data	In-Year Monitoring tool and Annual financial statements
Method of calculation/assessment	Accumulated amount reported by departments
Assumptions	No Department will overspend during the period under review
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Reporting cycle	Annual progress against the five year target
Desired performance	Reduced debt
Indicator responsibility	Budget Management

Indicator Title	Number of Municipalities that are financial viable
Definition	Financial viability and functionality of municipalities is critical in ensuring that the financial sustainability of the province
Source of data	Budget Assessment conducted and mid-year engagements
Method of calculation/assessment	Simple count
Assumptions	Collection of revenue targets and implementation of credit control
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Reporting cycle	Annual progress against the five year target
Desired performance	All municipalities to be financially viable
Indicator responsibility	Municipal Finance

Indicator Title	% of Government set aside spend by provincial departments on Designated groups
Definition	To improve the economic growth of the province, support will be provided departments, public entities and municipalities to reach the % targets set for designated groups
Source of data	Statistics from Logis and CSD
Method of calculation/ assessment	% spent by departments
Assumptions	Accuracy of information on Logis
Disaggregation of Beneficiaries(where applicable)	30% on youth owned companies 20% on women owned companies 5% on disabled owned companies
Spatial Transformation (where applicable)	N/A
Reporting cycle	Annual progress against the five year target
Desired performance	Achievement of set targets
Indicator responsibility	Assets and liabilities