

# PROGRESS MADE WITH PFMA COMPLIANCE

*BRIEFING TO SCOPA*

Presenter: Jayce M Nair | Chief Director: Governance Monitoring and Compliance | 19 August 2014



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

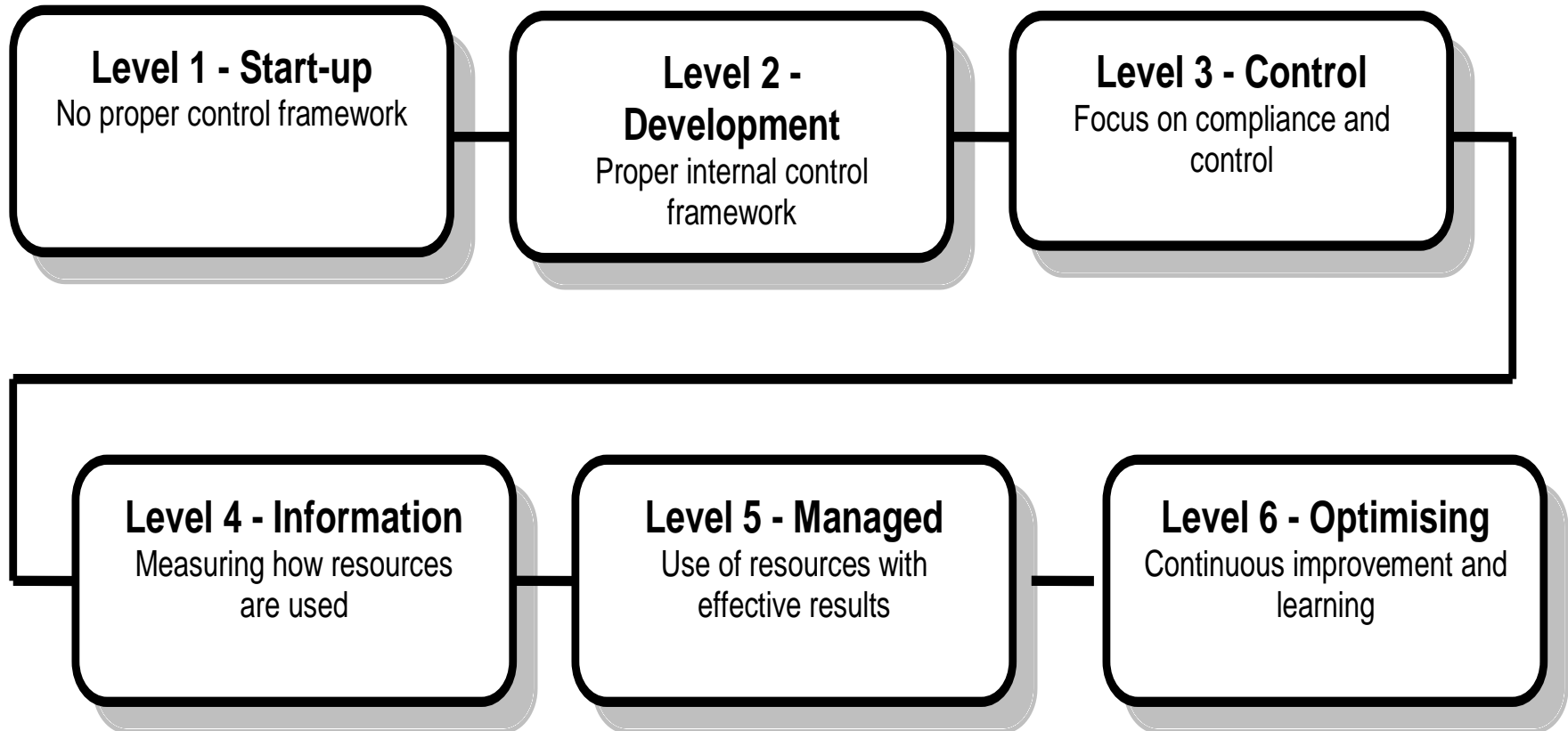
# MONITORING PFMA IMPLEMENTATION

- National Treasury mandate – sections 6(2)(c) and 6(2)(d);
- Questionnaires to departments;
- Normative measures for financial management;
- Analysis of Auditor-General reports; and
- Financial Management Capability Maturity Model (FMCMM).

# FINANCIAL MANAGEMENT CAPABILITY MATURITY MODEL (FMCMM)

- Based on Canadian Model;
- Previously – auditing tool – now FM tool;
- Different levels of maturity;
- Improve control environment; and
- Dipstick assessment of financial health.

# LEVELS IN THE FMCMM



# WHAT IS THE FMCMM ALL ABOUT

- Maturity models provide best practices, measure standards and create improvement paths;
- FMCMM – assesses the status of FM at a given point in time;
- Identifies areas of excellence and concern;
- Identifies gaps in the control environment with a view to making improvements; and
- Maturity – Mature = low risk, high predictability, opposite is true.

# METHODOLOGY AND LIMITATIONS

- Self Assessment by CFO and staff assigned by the CFO
- CFO required to sign off the responses
- High Level Validation through reference to external source information
- Provision for Internal Audit Validation
- Limitations: assessment relied on the accuracy, honesty and completeness of the responses

# RESULTS OF ASSESSMENTS

- Communicated to the CFO – heat map
- Development of Strategies and Corrective Plans
- Support Plans – identified departments
- Provide capacity needs – Learning Framework
- Used by AG / Internal Audit / Risk Management
- Consolidated Reports to SCOPA and SCoF

# STATUS OF FMCMM

- Comprehensive revision of questions in the Model;
- New questions – depts, constitutional institutions and 3A and 3C entities;
- Measures the spectrum of financial management;
- Five modules related to governance and financial management;
- Previously MS Excel based;
- Electronic platform – alignment with MPAT;





MODULE 1 - GOVERNANCE								
LEADERSHIP	CONTROL ENVIRONMENT	ASSURANCE COMMITTEES	DELEGATIONS	INTERNAL AUDIT	RISK MANAGEMENT	CAPACITY BUILDING	IT GOVERNANCE	ANTI-CORRUPTION
MODULE 2 – PERFORMANCE MANAGEMENT								
PLANNING	BUDGET MANAGEMENT							
MODULE 3 – FINANCIAL MANAGEMENT								
EXPENDITURE MANAGEMENT	TRANSFER PAYMENTS AND GRANTS	ASSET MANAGEMENT	INVENTORY MANAGEMENT	COMPENSATION OF EMPLOYEES	REVENUE MANAGEMENT	BANK, CASH & INVESTMENT MANAGEMENT	LIABILITY MANAGEMENT	
MODULE 4 – SUPPLY CHAIN MANAGEMENT								
ETHICS	BID COMMITTEES	CONTRACT MANAGEMENT	SCM SYSTEM					
MODULE 5 – REPORTING								
PERFORMANCE REPORTING	FINANCIAL STATEMENTS	FINANCIAL MISCONDUCT						

# WHICH WAY IS FINANCIAL MANAGEMENT HEADING?



# SUMMARY OF AUDIT OUTCOMES

## Summary of Audit Outcomes of PFMA Compliant Institutions

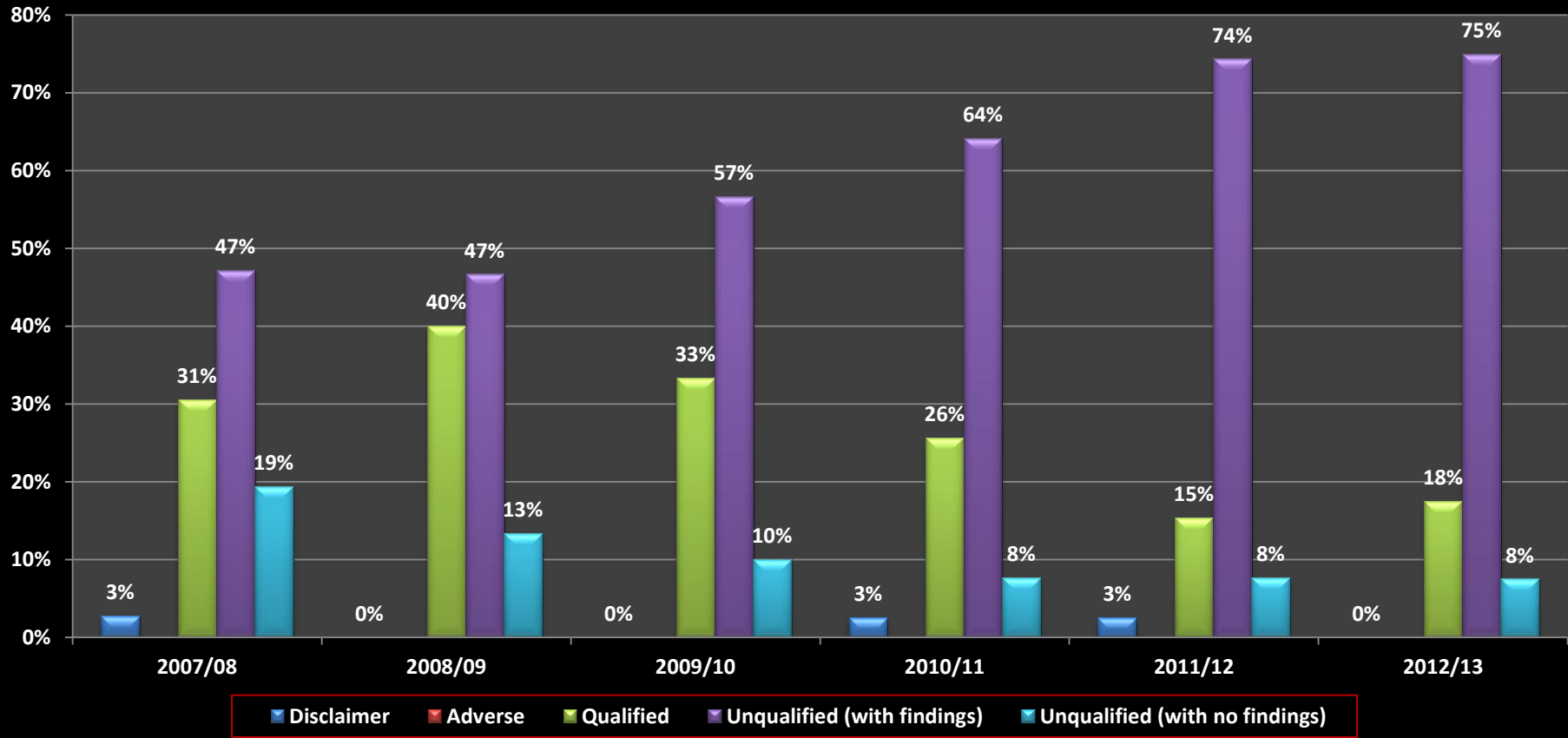
Audit Opinion	Financial Year End 2011/2012	Financial Year End 2012/2013	% Movement	Improvement / Regression / Stagnation
Unqualified with no findings	75	104	39%	↑
Unqualified with findings	249	232	7%	↓
Qualified	67	62	7%	↑
Adverse	0	0	0%	↔
Disclaimer	13	13	0%	↔
Audit not finalized	9	8	11%	↑
<b>TOTAL</b>	<b>413</b>	<b>419</b>		

# IMPROVEMENT IN AUDIT OUTCOMES

Audit Outcome Improvements (2010/2011 – 2012/2013)			
Name of Department	2012/2013	2011/2012	2010/2011
<b>Correctional Services</b>	Qualified (1 item) <ul style="list-style-type: none"> <li>• Movable tangible assets</li> </ul>	Qualified (3 items) <ul style="list-style-type: none"> <li>• Prior year additions and disposals of movable tangible capital assets;</li> <li>• Major movable tangible capital assets; and</li> <li>• Minor movable tangible assets.</li> </ul>	Qualified (1 item) <ul style="list-style-type: none"> <li>• Additions and disposals of movable tangible capital assets.</li> </ul>
<b>Defence and Military Veterans</b>	Qualified (2 items) <ul style="list-style-type: none"> <li>• Movable tangible assets.</li> <li>• Intangible capital assets.</li> </ul>	Unqualified <ul style="list-style-type: none"> <li>• Department had exemption from Treasury which assisted with unqualified opinion.</li> </ul>	Qualified (2 items) <ul style="list-style-type: none"> <li>• Movable tangible assets</li> <li>• Immovable tangible assets.</li> </ul>
<b>Justice and Constitutional Development</b>	Unqualified	Qualified (1 item) <ul style="list-style-type: none"> <li>• Departmental revenue, receivables for Departmental revenue, Contingent liabilities &amp; provisions</li> </ul>	Qualified (2 items) <ul style="list-style-type: none"> <li>• Departmental revenue, receivables, contingent liabilities/ provisions.</li> <li>• Irregular expenditure.</li> </ul>
<b>Health</b>	Unqualified	Unqualified	Qualified (1 item) <ul style="list-style-type: none"> <li>• Movable tangible capital assets.</li> </ul>

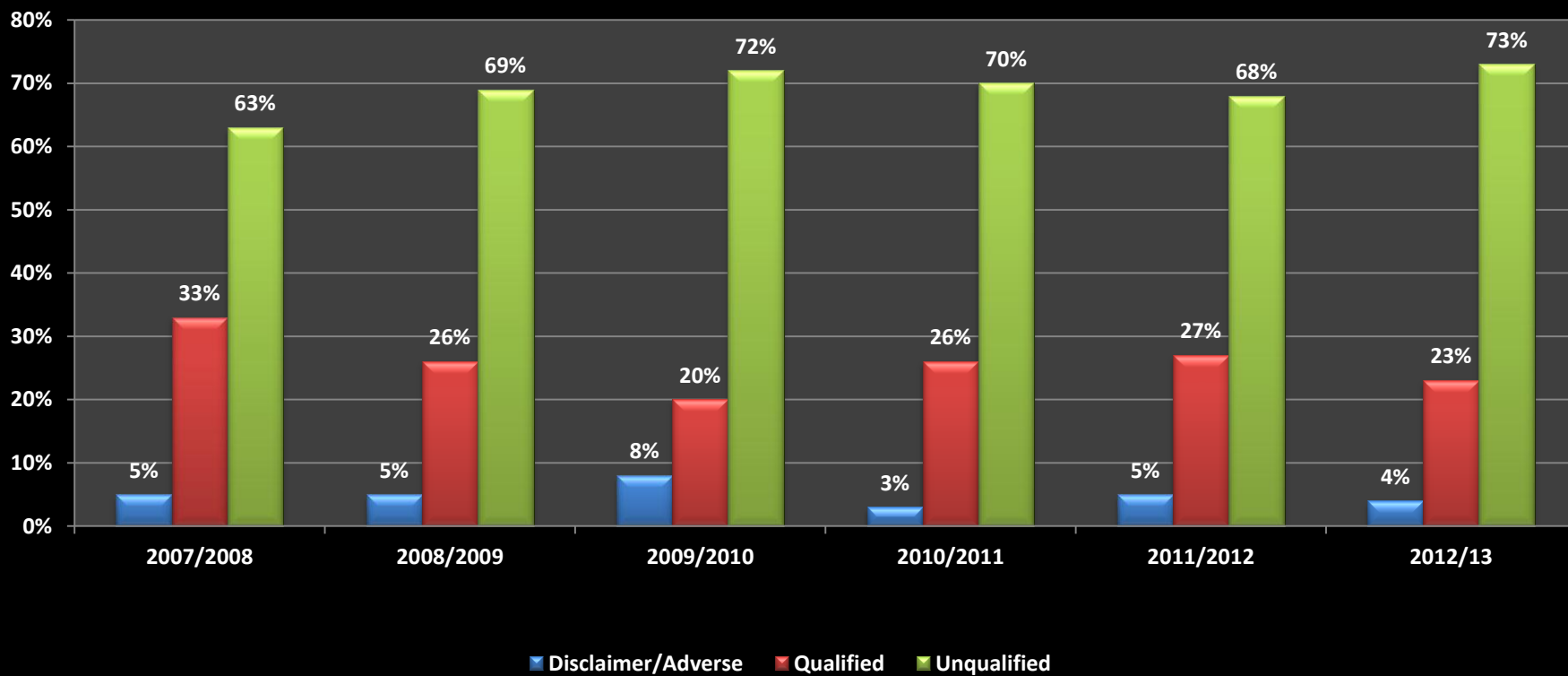
# COMPARATIVE ANALYSIS OF AUDIT OUTCOMES

## National Departments - 2007/2008 to 2012/2013 Audit Outcomes



# COMPARATIVE ANALYSIS OF AUDIT OUTCOMES

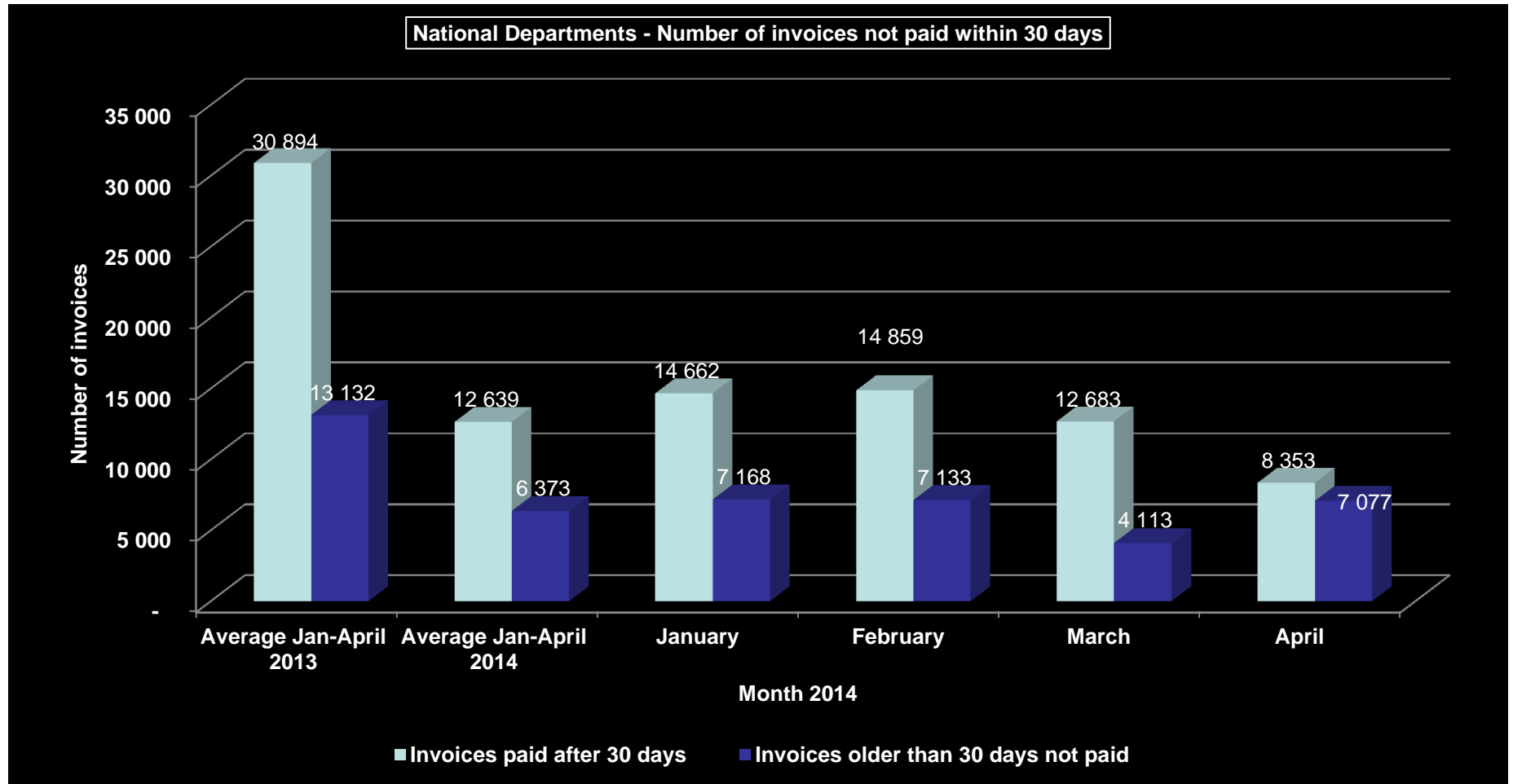
## Provincial Departments - 2007/2008 to 2012/2013



# KEY AUDIT FINDINGS

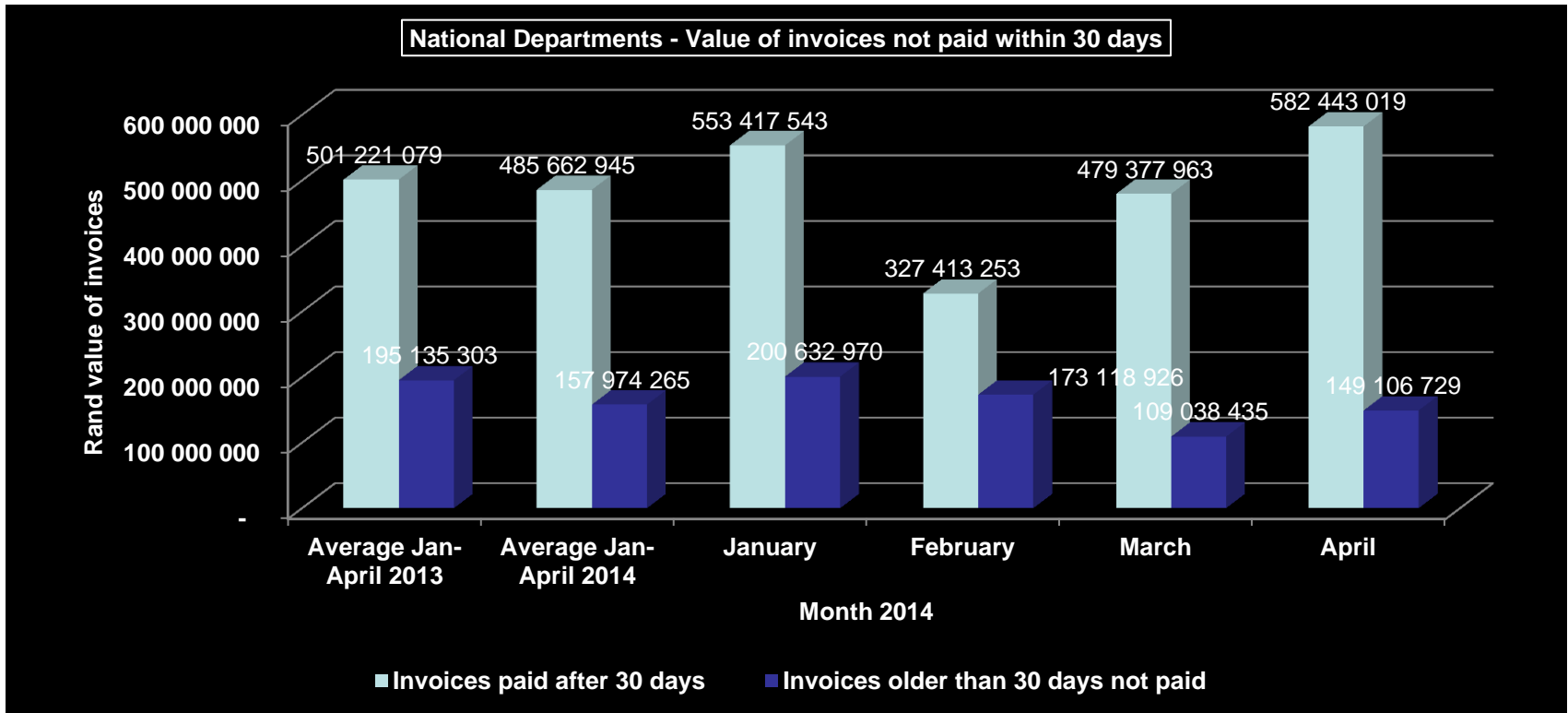
- Poor governance processes;
- Failure to report effectively on pre-determined objectives;
- Lack of proper internal controls;
- Non compliance with laws and regulations;
- Poor systems to manage revenue, expenditure, assets and liabilities; and
- Findings consistent with previous FMCMM assessments.

# PAYMENTS OF INVOICES WITHIN 30 DAYS



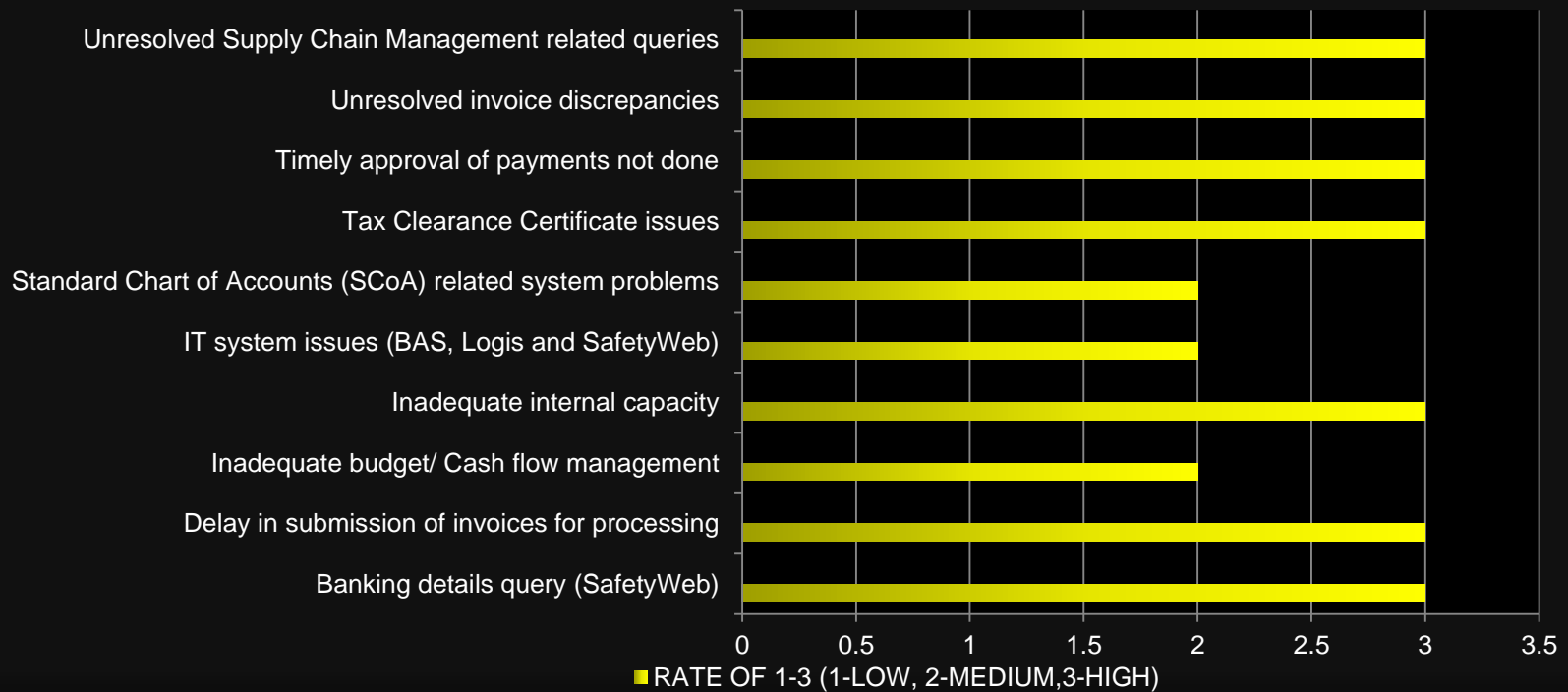


# PAYMENTS OF INVOICES WITHIN 30 DAYS



# REASONS FOR LATE/NON PAYMENT OF INVOICES

## Reasons provided for the late and/or non-payment of invoices



# NATIONAL TREASURY INTERVENTIONS

- Revision of the Treasury Regulations;
- Strategic Support Plans;
- Capacity Development Strategy;
- Public Sector Expert Practice Committees;
- Chartered Accountants Academy;
- Risk Management Forum;
- Supply chain management and fraud prevention;
- Financial Accounting and Reporting;
- FOSAD Reports - payments within 30 days;
- Invoice tracking system; and
- Secondment of National Treasury officials.

# THANK YOU