

IFMS UPDATE BRIEFING

TO THE STANDING COMMITTEE ON PUBLIC ACCOUNTS (SCOPA)
20 NOVEMBER 2018



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

PROGRESS ON ACTION TAKEN ON MATTERS RAISED SINCE LAST SCOPA BRIEFING

MATTER	PROGRESS
Addressing resource and management capacity constraints in the IFMS	<p>The process to recruit the CD: IFMS was unsuccessful due to the excessive remuneration demands made by the preferred candidates. IFMS has been allocated to be managed by the CD: Risk Management in the OAG</p> <p>Additional internal resources have been deployed to augment the administrative capacity of the Project Management Office (PMO)</p> <p>The process of recruiting the Director: Technology is at an advanced stage.</p> <p>Discussions with GTOC have been initiated to identify their members (CIO's in government departments) to take up strategic advisory roles in the various IFMS committees</p>



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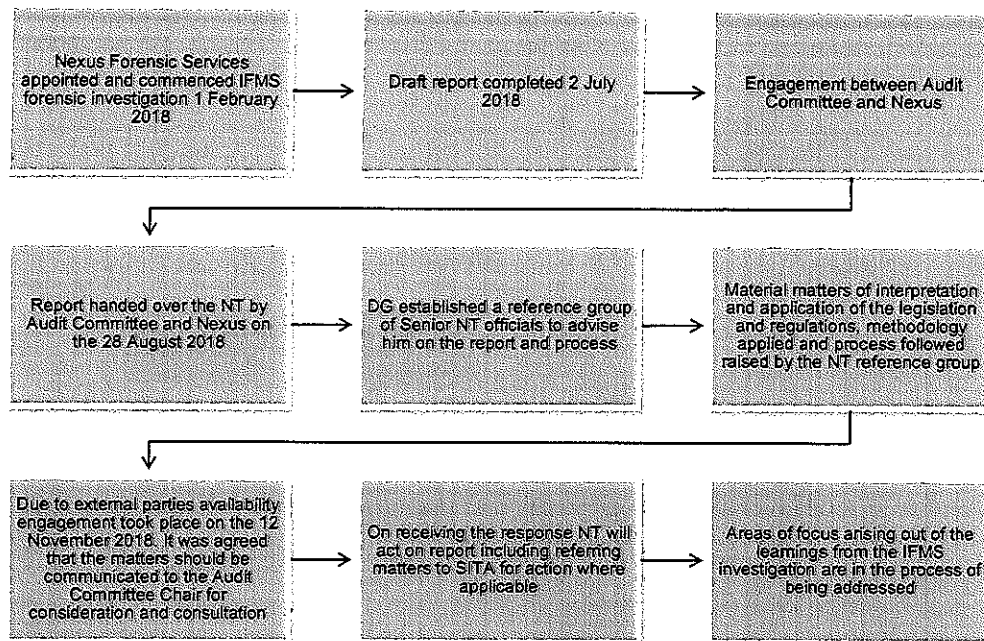
PROGRESS ON ACTION TAKEN ON MATTERS RAISED SINCE LAST SCOPA BRIEFING

MATTER	PROGRESS
Addressing weaknesses in controls	<p>The process of Internal Audit validating outstanding invoices has been completed. Non-disputed invoices have been settled. A number of other invoices are still being held back pending the final outcomes of the forensic investigation.</p> <p>Programme Risks are being monitored by the Project Risk Committee as well as the National Treasury Risk Committee. IFMS reports as a project directly to the NT risk committee quarterly.</p> <p>IFMS features as a standing item on National Treasury's EXCO meetings</p> <p>Special IFMS focused Audit Committee meetings are held quarterly</p> <p>Procurement controls have been strengthened by including the OCPO in the procurement process (for guidance).</p>
Contract matters	<p>ICT-Works:</p> <p>Extensive engagements were held which resulted in the resolution of a number of issues.</p> <p>Full execution of the Services Agreement has not been possible due to the outstanding finalisation of the forensic report. NT and ICT-Works are however in constant engagement.</p>

IFMS - FORENSIC INVESTIGATION SCOPE OF WORK

- Investigate all payments including approvals and compliance to the contract terms relating to the IFMS project since inception of IFMS 2 to date.
- Investigate and determine if appropriate processes were followed in the termination of all IFMS 1 related contractual obligation and also assess the reasonableness of the settlement amounts.
- Investigate and review the Supply Chain Processes followed during the award and contract negotiations processes followed during the IFMS Original Software Manufacturer awarding of contract to ORACLE and assess the reasonableness of the payments made to date.
- Identify any risks, "gaps" or areas of non-compliances in the contract with ORACLE.
- Investigate if NT received and is receiving value for money for all payments made to date by NT or any other entity or unit to the PMO.
- Investigate if NT received value for money for the IFMS 1 settlement negotiations and payments made in line with the IFMS OSM contract.
- Confirm compliance with SCM, TR, PFMA and other relevant regulations in the appointment of service providers since November 2013 to date.
- Confirm compliance to contract management principles.
- Determine the relationships and conflicts, if any, between the NT employees with NT's IFMS 1 and 2 Service Providers registered on the approved IFMS panel of service providers' database, their staff, as well as entities who may have been subcontracted by an appointed service provider.
- Identify any irregular, unauthorised, fruitless and wasteful expenditure.
- Establish the identities of the parties involved i.e. past and current IFMS and their respective roles to identify the areas of non-compliance to serve as the basis for disciplinary of further action if required.

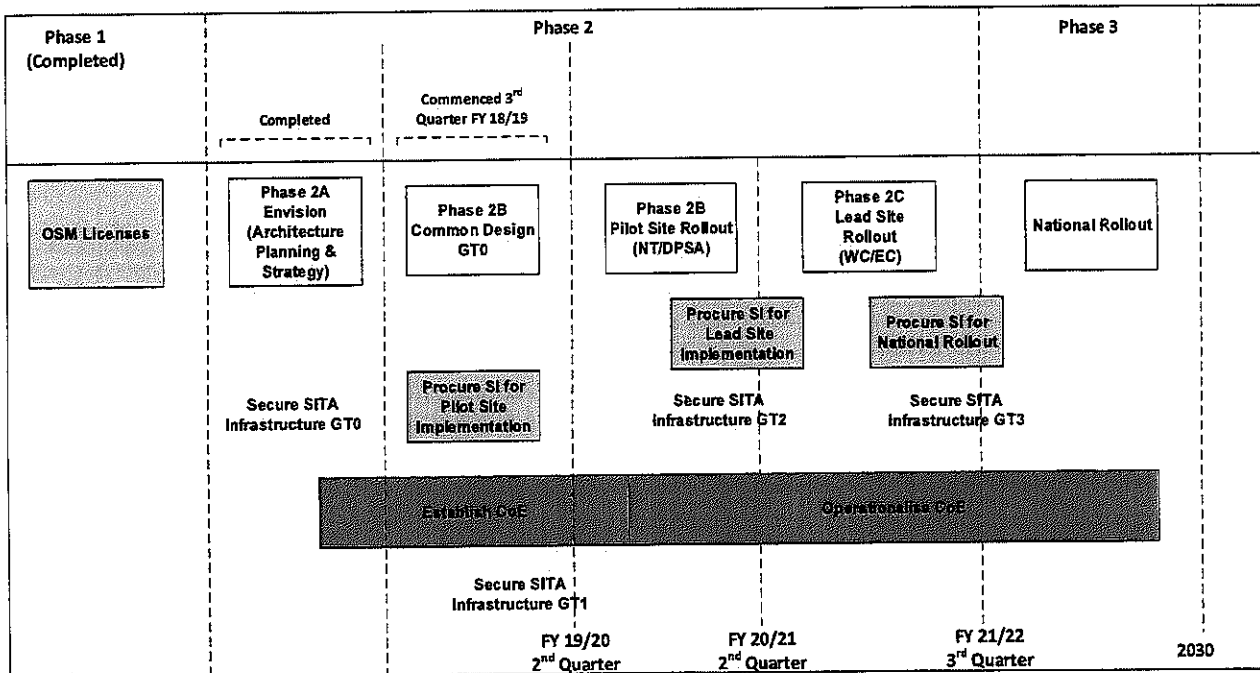
IFMS - FORENSIC INVESTIGATION PROCESS



OPTIMISING THE ORGANISATION AREAS OF FOCUS ARISING OUT OF LEARNINGS FROM THE IFMS INVESTIGATION

- Document Management
- SCM processes
- Service Provider Conflict of Interest Declarations
- Contract Management
- Budget Control
- Project Expenditure
- Project Initiation Controls
- Project Management
- PMO and links into organisation
- Service Provider Deliverables (full cycle: drafting to monitoring)
- ICT controls
- Project M & E
- Combined Assurance
- Risk Management

HIGH LEVEL PROGRAMME PLAN



HIGH LEVEL PROGRAMME STATUS

- Phase 1 (2016/17 FY): COTS License Acquisition – Completed
- Phase 2A (9 Months): Architecture Planning (Blue-Printing) – Completed
- Phase 2B (36 Months):
 - Systems Implementers (SI) panel to be established (2-3 Months)
 - GT0 Common Design (4-5 Months)
 - SI appointment (5-6 Months)
 - GT1.0 Pilot Implementation (26 - 28 Months): Vanilla solution configured with missing functionality needed by departments (but excluding the specialised departments like SAPS at this stage)
- Phase 2C:
 - GT1.1 Lead Sites Implementation (15 – 18 Months): Add supplemental functionality for Provincial departments
- Phase 3 – Potential Deployments:
 - GT1.2 National Rollout: Roll-out to rest of National departments
 - GT1.3 Provincial Rollout: Roll-out to rest of Provincial departments
 - GT2.0 Pilot Implementation: Add specialised functionality e.g. SAPS, DoD, Education etc.
 - GT2.1 National Roll-out: Roll-out to other departments

STATUS OF KEY MILESTONES

IFMS Target Operating Model and Business Architecture

- 47 Envisioning (architecture design planning) workshops completed
- Target operating model endorsed by domain specific policy owners (FIN, SCM, Payroll, HRM, BI)
- Business and Application Architecture for (FIN, SCM, HRM, PAY) completed

Procured IFMS Software Licences previously not utilised

Enterprise Shared Infrastructure

- Licences are currently utilised for:
 - ✓ Data Centre Hosting and Facilities;
 - ✓ Server and Storage Infrastructure; and
 - ✓ Virtualisation

Consolidation of existing Oracle licences

- An initial assessment has been done which indicates a potential saving of R73m through consolidating existing Oracle licences held by departments within the COTS ERP licence agreement
- A saving of R55m has been realized through the cancellation of software licences and support services that are no longer needed due to the Oracle implementation

STATUS OF KEY MILESTONES

IFMS Systems Blue Print/Future state Enterprise Architecture and Implementation Roadmap

- Future State Architecture finalised
- Architecture Planning finalised
- The above are prerequisites for the upcoming Design phase

Involvement of SMMEs and/or local Industry

- Procurement model which articulates among other things the procurement of SMME's and local industry participants is being finalised
- Aim is for the model to be approved before procurement of Systems Implementers commences
- SITA will manage the procurement based on its policies and the procurement model

STATUS OF KEY MILESTONES

IFMS Capacitation & Change Management

- **Change Management & Training**

- ✓ Change readiness assessment of pilot sites completed
- ✓ Change readiness of officials at pilot sites (NT & DPSA) is in progress
- ✓ Assessment of resources required within the PMO and pilot sites to implement the Design phase is at an advanced stage
- ✓ Training plan finalised for officials that will be involved in the IFMS solution design, and technical training has commenced
- ✓ The need for reskilling legacy systems operators has been identified and the development of a plan to address this will commence shortly

- **Stakeholder engagements & communication**

- ✓ IFMS Newsletters and internal bulletins were issued in Q1 and Q2 of 2018/19 financial year to pilot sites (NT & DPSA)
- ✓ MoU for pilot sites and lead sites are being finalised

IFMS EXPENDITURE (2018/19)

CURRENT YEAR

FY	Original Budget	Adjustments	Virements	Final Budget	Actual expenditure	Remaining budget
2018/19	R350 134 000	R0	R0	R350 134 000	R117 177 663	R232 956 337

Notes:

1. Spending variance

Underspending is as a result of delays in the completion of the Envisioning phase (Phase 1) of the project. Completion of procurement process for System Implementers (SIs), project assurance services and Center of Excellence for the next phase has been rescheduled.

It is anticipated that the budget will be underspent by approximately R127 in the current financial year.

2. Analysis of spending and remaining budget

FY 2018/19 (YTD)		
Total Budget allocation		R350 134 000
Actual expenditure		R117 177 663
Compensation of employees	R1 781 117	
Goods and Services (note 3)	R115 292 590	
Transfers and Subsidies	-	
Capital Assets	R103 956	
Remaining Balance		R 232 956 337

IFMS EXPENDITURE (2018/19)

3. Breakdown of Goods and Services spending

	(GOODS & SERVICES)	TOTAL SPEND PER ITEM
1	Licence Fees	R67 608 833
2	Software and Maintenance costs	R-
3	SITA hosting and maintenance	R17 691 299
4	Consulting services i.e change management PMO	R29 945 340
5	Other Operational items	R47 118
Total Goods & Services costs		R 115 292 590

4. Expenditure commitments until 31 March 2019

Services	
Change Management	R5 100 000
Consulting services	R70 616 630
Hosting Services	R18 906 436
Licenses	R10 645 904
Total	R105 268 970

IFMS EXPENDITURE (PRIOR PERIODS)

PRIOR PERIOD SPENDING

FY	Original Budget	Adjustments	Virements	Final Budget	Actual Outcome	Variance
2017/18	R353 467 000	R0	-R230 300 000	R123 167 000	R112 240 810	R10 926 190
2016/17	R207 302 000	R349 274 000	R409 000	R556 985 000	R556 449 955	R535 045
2015/16	R180 301 000		-R15 000	R180 286 000	R180 272 799	R13 201
2014/15	R174 149 000	-R10 000 000	R3 217 000	R167 366 000	R167 365 607	R393
2013/14	R166 231 000		R28 395 000	R194 626 000	R194 625 941	R59
2012/13	R165 754 000	R11 363 000		R177 117 000	R152 584 203	R24 532 797
2011/12	R164 580 000		-R40 185 000	R124 395 000	R79 551 805	R44 843 195
2010/11	R239 326 000	-R22 339 000	-R37 644 000	R179 343 000	R169 704 702	R9 638 298
2009/10	R0	R249 046 000	-R38 320 000	R210 726 000	R177 482 921	R33 243 079
Total	R1 651 110 000	R577 344 000	-R314 443 000	R1 914 011 000	R1 790 278 743	R123 732 257

IFMS PROGRESS ON AUDIT FINDINGS

AUDIT FINDINGS	CURRENT STATUS
Impact of Vanilla Oracle solution on policies, procedures and legislature not yet determined.	A policy impact study was done for all processes up to level 4 (of 7) and was completed in September 2018. The study has shown that there is no impact on the PFMA. A similar impact study for processes level 5-7 can only be done in the Design phase. This forms part of the plan and any impact on the PFMA identified will be addressed appropriately.
Lack of formal Business Case for the IFMS programme	A formal Business was approved in September 2018.
Lack of Proper Programme Planning and Management	The finding confirms the existence of project management and governance strategies but cautions that these could become ineffective in the absence of the business case. The business case is now in place.
Insufficient resources to successfully implement the IFMS Programme)	IFMS has been allocated to be managed by the CD: Risk Management in the Office of the Accountant-General Additional internal resources have been deployed to augment the administrative capacity in the Project Management Office (PMO) The process of recruiting the Director: Technology is at an advanced stage. Discussions with GTOC are underway to identify their members (CIO's in government departments) to take up strategic advisory roles in the various IFMS committees A resource plan for the Design Phase is near completion
Lack of Proper Budget Monitoring on the IFMS Programme	An internal resource has been seconded to IFMS specifically to manage the budget. The budget and spending are deliberated on by the Project Committee, Steering Committee and the Audit Committee, respectively

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