

NATIONAL TREASURY PROGRESS REPORT ON IFMS

BRIEFING TO SCoPA

07 MARCH 2023



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



**STAY
SAFE**

VACCINATE TO SAVE SOUTH AFRICA

PROGRESS REPORT ON IFMS FOLLOWING PREVIOUS MEETING AT SCOPA REPORTING ON NT's ANNUAL REPORT

- Treasury reported on the difference of opinion on how IFMS expenditure was to be reported
- AGSA has regarded IFMS spending as fruitless and wasteful in 2017/18, 2018/19, 2019/20, 2020/21, 2021/22
- NT pointed out that IFMS project implemented jointly with DPSA and SITA, but NT bore sole responsibility for spending and audit
- NT view has consistently regarded IFMS spending as a contractual commitment, and not fruitless and wasteful
- NT committed to SCOPA to close the audit process for its 2021/22 financial statements, even as NT was in dispute with the AGSA
 - For 2021/22 the AGSA agreed with NT's submission that IFMS licenses are capital work-in-progress and hence NT believes that the support and maintenance should be treated the same
 - AGSA view was that either NT declare in a note that it was Fruitless and Wasteful expenditure or NTs financial statements would be qualified
- Legal review between NT and AGSA still in progress, for future audit cycle
- NT is engaging with Oracle to renegotiate contract, to take account concerns of AGSA

NT AUDIT OUTCOME

- NT received a qualified audit. The AGSA is of the view that the department did not record the R68m payment for technical support and maintenance as fruitless and wasteful expenditure and that the historical balance was incorrectly removed resulting in an understatement of R400m in the disclosure note.
- In NTs view, the payment is not made in vain as failure to do so would result in legal and financial implications for the department. To date, none of the expenditure has been regarded by the AGSA or any of the forensic investigations completed as suspicious or inappropriate from a criminal law perspective
- This payment is made annually to ensure automatic access to updated versions of licences, software and security patches and specialised technical problem solving in preparation for the full implementation
- If the licence support and maintenance fee is not paid, discounts will be lost, and penalties and back-payments will be incurred
- Evidence of utilisation of licenses as well as support and maintenance as provided. The AGSA has calculated current performance on utilisation at the time of full roll out of IFMS. That the IFMS software licences is now being treated as work in progress, so should the support and maintenance be reclassified
- An unsuccessful procurement process was initiated for the third time since 2018/19 in May 2021 through SITA. Mitigating measures are being implemented
- The department is still engaging the AGSA through its exercising its rights in respect of the audit objection process as well as obtaining legal advice with the sole objective of clarifying the principle of fruitless and wasteful expenditure and the treatment in the interest of government-wide treatment of such large, co-managed, multi-year projects

IFMS IMPLEMENTATION REMAINS NECESSARY AND URGENT

- We have no choice but to implement IFMS, to modernise the financial management system within national and provincial government.
- The importance of modernising and automating government's financial; procurement; human resources; planning, monitoring and reporting systems has become more urgent given
 - There is limited resources and skills available to support and maintain the current modified cash-based legacy systems at an increasing cost.
 - The current legacy systems are archaic in functionality and inflexible in processing as such they can not be modernised to fully meet the needs of government.
 - Suitable service providers have become reliant on the higher tier Commercial Off the Shelf (COTS) products with custom and bespoke development within such systems becoming ever more uncommon.
- IFMS is a key component in the fight against corruption in the public sector by
 - Automating procurement and transaction processes
 - Collecting, collating, and analysing data both as pre-emptive red flagging and post action verification
 - Accessible, comparable and transparent information reporting

IFMS GOVERNANCE ARRANGEMENTS

On 14 December 2022, the acting Minister of Public Service and Administration sent a letter to the Minister of Finance retracting the letter sent by his predecessor regarding the withdrawal of DPSA's participation from the IFMS project. The acting Minister confirmed DPSA's commitment and continued participation in the IFMS project.

National Treasury

Project Sponsor and Policy Owner, Finance, Payroll, SCM, & Accounting Standards. Establishment of PMO, funding of hosting services (including support & maintenance), procurement of solution and service implementers

DPSA

Policy Owners, Human Resource Management. Advising IFMS on electronic government norms and standards, strategic and policy capabilities and advisory services related to the structure and functioning of the Public Service, and mobilising of GITOC members to participate in IFMS programme

DCDT

Develop ICT policy and legislation and Oversee SITA activities with effect from 2019. Provide advisory services and assistance to the IFMS Programme in respect of ICT policy, strategic and advisory services on matters involving e-government services

SITA Services

Hosting services including the IT infrastructure used to store the IFMS data will be hosted and maintained by SITA. Technical advisory and support, including establishment of IFMS Centre of Excellence. Procurement of ICT services has been done by SITA however this is under review.

IMPLEMENTATION

Stabilisation

- Investigations to be completed
- Steps are being taken to address the reoccurring challenges of procurement of a service provider

Renegotiation of the current IFMS contract

- As per AGSA's recommendation, NT is negotiating with Oracle on the current contract.
- The negotiations includes the consideration of a cloud solution due to modernised technology.
- NT is also in discussions with Oracle on the payment of the current year licence support and maintenance fees pending a decision on the cloud solution.
- It is anticipated that negotiations will be finalised in the first quarter of the 2023/24 FY.

Roll out

- Implementation of the pilot system will be initiated in the 2023/24 FY.
- Roll out of IFMS 2024/25 FY

7 MARCH 2023

THANK YOU

BRIEFING TO SCoPA



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



**STAY
SAFE**

VACCINATE TO SAVE SOUTH AFRICA