

THE FINANCIAL MANAGEMENT CAPABILITY MATURITY MODEL (FMCMM) & REVIEW OF THE TREASURY REGULATIONS

Office of the Accountant-General

Presenter: Jayce M Nair | National Treasury | 28 November 2011



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

FRAMEWORK

- Functions and Powers of the National Treasury
- Financial Management Capability Maturity Model (FMCMM)
- Support to Stakeholders
- Outcome 12
- PFMA Model
- Revised FMCMM
- Additional focus areas in the revised FMCMM
- Revision of the Treasury Regulations

FUNCTIONS AND POWERS OF THE NATIONAL TREASURY

- Promote government's fiscal policy framework & coordinate macro-economic policy
- Coordinate intergovernmental financial and fiscal relations
- Manage the budget preparation process
- Control the implementation of the annual national budget
- Facilitate implementation of the Division of Revenue Act
- Monitor the implementation of provincial budgets
- **Promote and enforce effective management of revenue, expenditure, assets and liabilities**
- Ensure provincial fiscal policies do not prejudice national economic policies

OTHER TREASURY FUNCTIONS

- **Prescribe uniform treasury norms and standards**
- **Enforce the PFMA and its prescripts**
- **Monitor and assess the implementation of the PFMA and its prescripts**
- May assist spending agencies in capacity building in financial management
- **May investigate any system of financial management and internal control in spending agencies**
- Must intervene to address serious or persistent breach of the PFMA, which may include withholding of funds in terms of section 100 of the Constitution

ASSESSING FINANCIAL MANAGEMENT

***“If you cannot measure it, you cannot improve it!”
The Rt. Hon. Lord Kelvin, was the first President of the
International Electrotechnical Commission (IEC)***

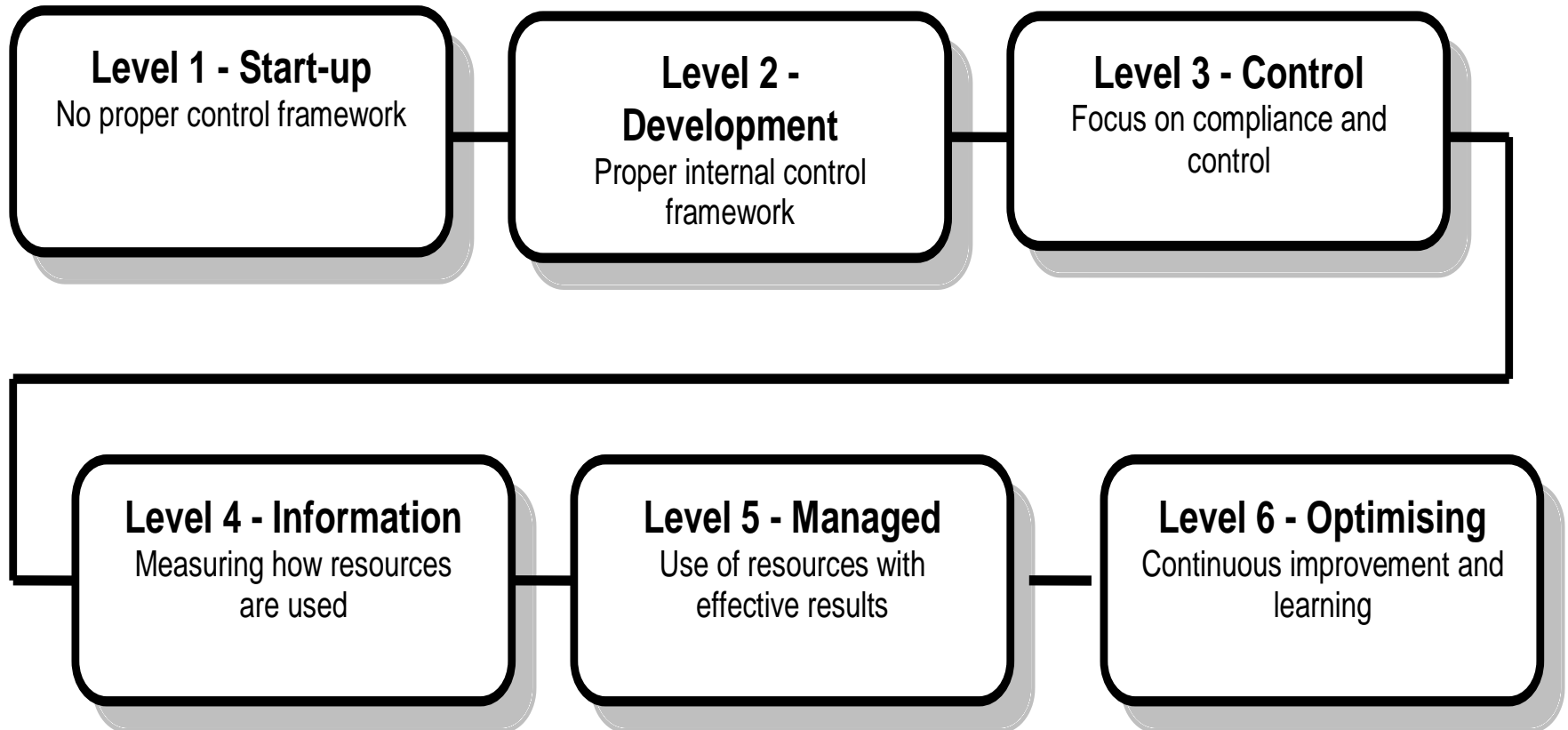
BACKGROUND TO THE FMCMM

- First rolled out in 2008
- Diagnostic Tool (What is wrong – identify business risks)
- Applied in other countries in various guises
- Adapted by NT to assess financial management maturity of public sector institutions
- Focuses on financial maturity of different focus areas of financial management
- Relies on responses by clients
- Provides a fairly accurate indication of business risks

OBJECTIVES OF THE FMCMM

- Self assessment tool for departments and the NT
- Benchmark against best practice
- Understand challenges faced by clients (diagnostic tool)
- Provision of appropriate support
- Solve the right problems
- Influence institutions towards effective, efficient, economical and transparent financial management
- Provides a dipstick diagnosis of business risks

DIFFERENT LEVELS OF MATURITY



METHODOLOGY AND LIMITATIONS

- Self Assessment by CFO and staff assigned by the CFO
- CFO required to sign off the responses
- High level validation through external sources
- Provision for internal audit validation
- Limitations: assessment relies on the accuracy, honesty and completeness of the responses
- Verification of responses – AG reports

COMPLETION OF THE ASSESSMENT

Questions and Guidance Notes

Associated Risks and controls

DEPARTMENT X	Average Score	1.82	Signed off by:	Chief Financial Officer	Questions still to be answered	0
Function: Asset Management						
Focus: Asset planning and budgeting (AM)						
Process: Planning and Budgeting (AM)						
Question	Response	Score	Associated Risks	Associated Controls	Reviewers Comment	
Q19: Does a delegated asset practitioner (AM4) verify the acquisition of the asset against an approved asset acquisition plan before the order is placed? Guidance Note Acquisition of assets should be aligned with the asset acquisition plan to prevent unplanned activities for acquisition of assets.	NO	1	Assets are acquired which were not planned and budgeted for.	A delegated official verifies the acquisition of the asset against an approved asset management plan before the order is placed. If the asset to be acquired is not included in the approved asset acquisition plan, procurement is authorised by a delegated official prior to and after acquisition, assessment of a motivation and alternatives. A delegated official verifies the acquisition of the asset against an approved asset management plan before the order is placed.	The demand management plan, especially with the IT plan is currently in progress	
			Surplus and/or obsolete assets are on hand and do not contribute to service delivery.	Planned disposals of surplus assets are taking place. Reconcile assets disposed with asset disposal plan. Inspection is performed to determine the assets' condition and usable life cycle Compare assets disposed with details in the asset register life cycle data. Record asset life cycle in the asset register		
			A delegated official verifies the acquisition of the asset against an approved asset management plan before the order is placed.	A delegated official verifies the acquisition of the asset against an approved asset management plan before the order is placed. A delegated official verifies the acquisition of the asset against an approved asset management plan before the order is		

AVERAGE SCORE FOR THE DEPARTMENT

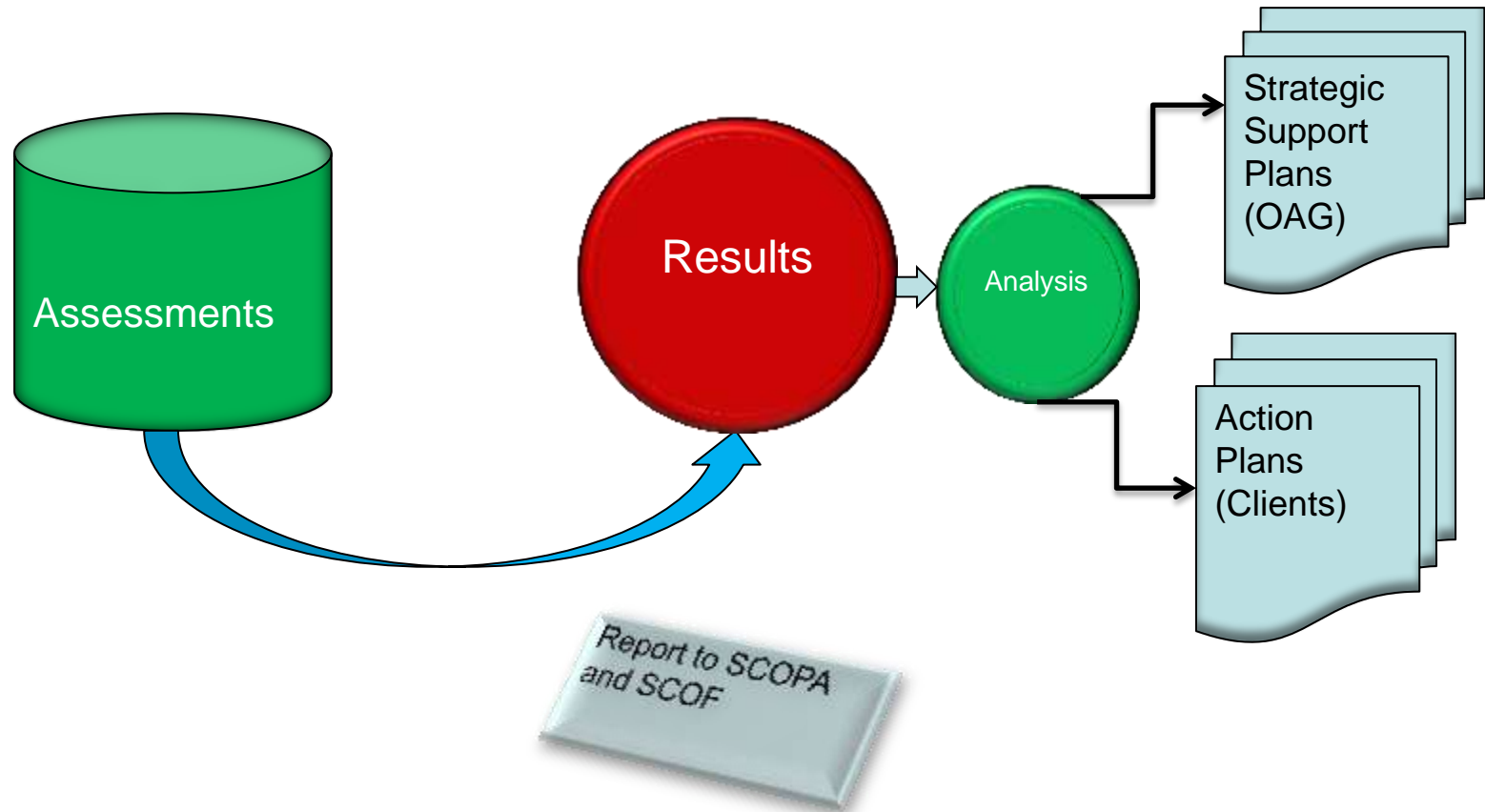
Average Score	Previous Year:	Current Year:
	2.45	2.47
Function	Enter Scores for Previous Year below	Average Score - Current Year
Asset Management	2.32	2.84
Compensation of Employees	2.57	2.31
General	2.29	2.50
Goods and Services	2.62	2.88
Liability Management	2.67	2.43
Revenue Management	2.62	2.25
Transfer Payments	2.09	2.09

Return to Index

RESULTS OF SURVEY

- Communicated to the CFO – heat map
- Development of strategies and corrective plans
- Strategic Support Plans (SSP)
- Provide capacity needs – Learning Framework
- Used by AG / Internal Audit / Risk Management
- Consolidated Reports to SCOPA and SCoF

THE CURRENT PROCESS

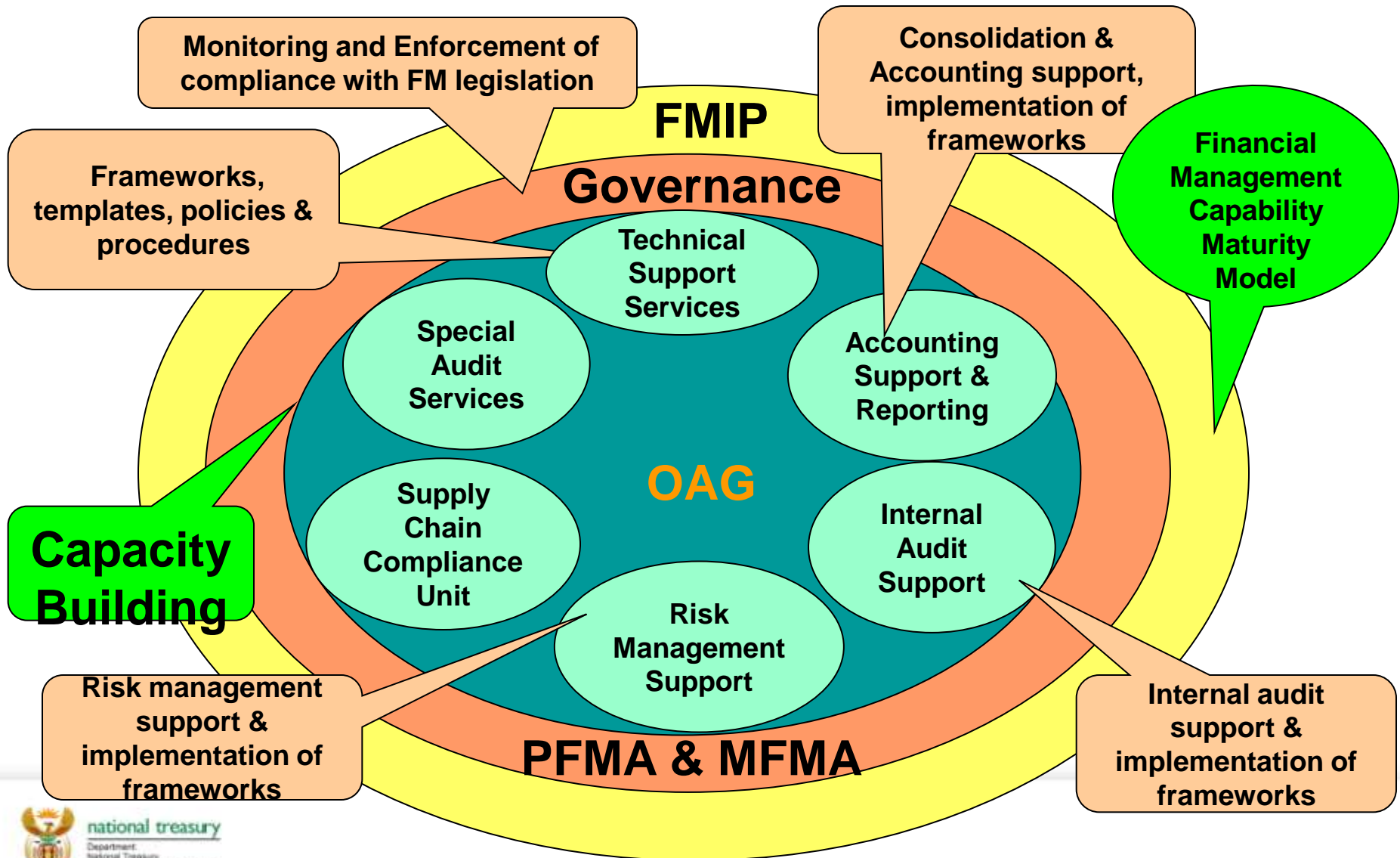


Effective Monitoring and evaluation

ARE WE CLEAR ABOUT THE STATUS OF FINANCIAL MANAGEMENT



SUPPORT TO STAKEHOLDERS



SUPPORT INTERVENTIONS

- Revision to existing frameworks and guidelines
- Development of new frameworks and guidelines
- Revision of annual report templates
- Accounting standards and Internal Audit & RM
- Focused training programmes on FM and governance matters
- Advisory services

CURRENT FEATURES AND FOCUS AREAS OF THE MODEL

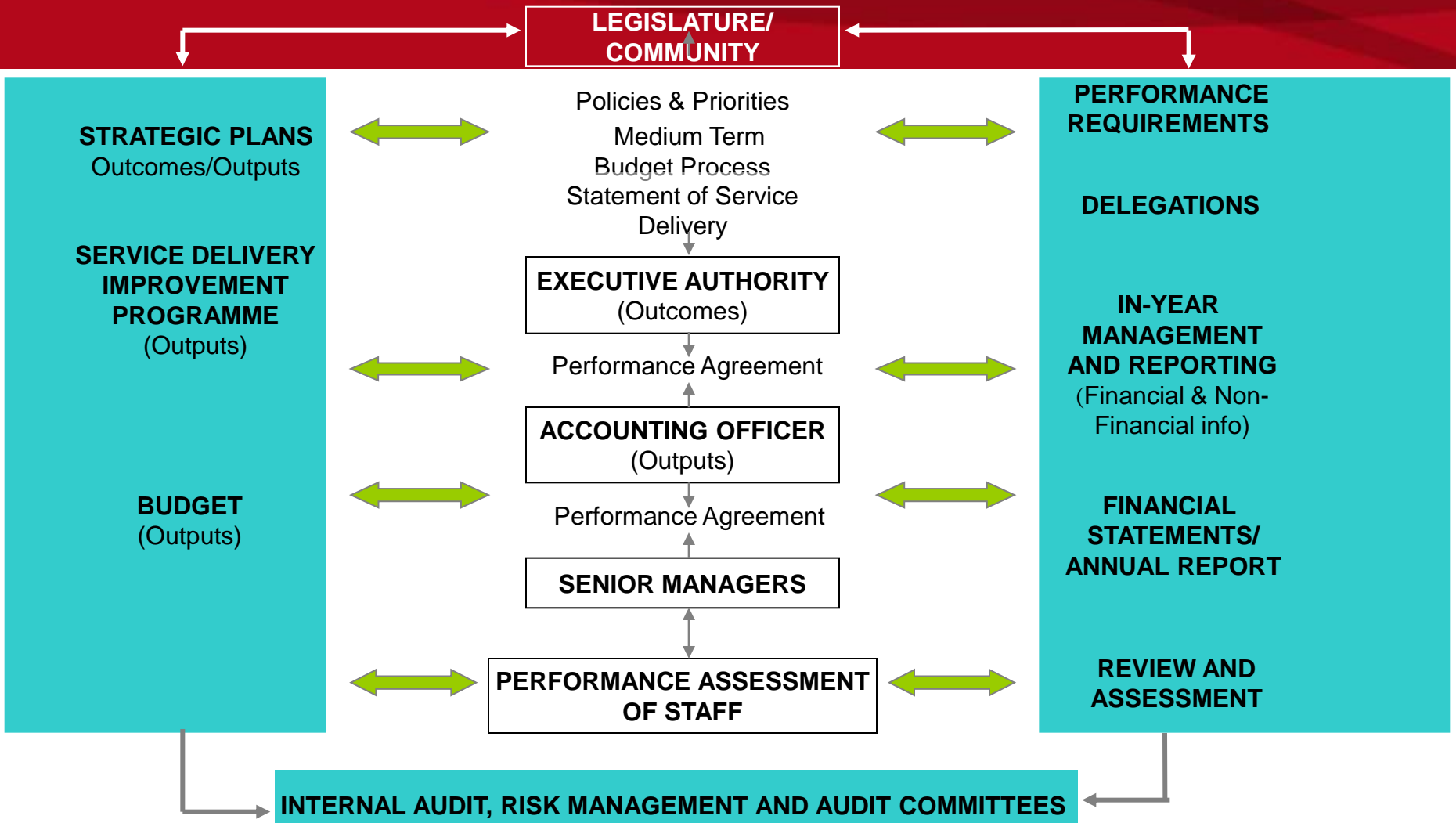
- MS Excel

- Databank of (583) self evaluation questions spread over the following categories:
 - Asset Management
 - Compensation of Employees
 - Goods and services
 - Revenue Management
 - Liability Management
 - Transfer Payments
 - General (IT controls)
 - Internal Audit
 - Risk Management

TWELVE DELIVERY AGREEMENTS

- **Outcome 12** - Efficient, effective & development orientated public service
- **Output 3** – Business Processes, Systems, Decision Rights and Accountability
- **Sub-output 6** – Financial Management (FMCMM)
 - Improved levels of financial maturity
 - Regular assessments of departments; public entities and municipalities
 - Presentations to FOSAD; Departmental EXCO's & Provincial EXCO's
 - Increased financial management focus by oversight bodies
 - Management Performance Assessment Tool - DPME

PFMA: FINANCIAL MANAGEMENT MODEL



REVISED FMCMM

- Web based application – Login ID's and Passwords
- Revision of questions for levels 1; 2 & 3
- Inclusion of questions for levels 4; 5 & 6
- Applicability to Public Entities and Constitutional Institutions
- Revised and additional focus areas
- Facility for internal/external validation
- Availability to institutions – in year assessments

REVISED & ADDITIONAL FOCUS AREAS

- Goods & Services – Supply Chain Management
- Asset Management – Movable; Immovable & Inventories
- Strategic & Annual Performance Planning; Budgeting; Fraud Prevention; Anti-Corruption
- Internal Audit & Audit Committees – IACMM (IIA)
- Increased focus on compliance and matters that seriously affect departments – compliance with laws and regulations, leadership & governance matters
- Roll out in 2012

REVISION OF THE TREASURY REGULATIONS

- Last comprehensive revision – March 2005
- Strategic Planning – February 2007
- PFMB - relevance to financial management trends
- Framework for Financial Management - detail
- Review of threshold amounts
- Finance lease transactions
- Strategic and Annual Performance Plans
- Practice/Instruction Notes and Treasury Circulars
- King III Report on Corporate Governance in SA

LATEST DEVELOPMENTS

- Payments within 30 days from receipt of invoice TR8.2.3
- Cabinet Memorandum on CFO Qualifications
- Oversight Guidelines for Parliamentarians
- Accounting Officers Guide to the PFMA

MANY THANKS

JAYCE M NAIR

Governance Monitoring & Compliance

012 315 5482

Jayce.Nair@treasury.gov.za