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
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
“If you cannot measure it, you cannot improve it!”

The Rt. Hon. Lord Kelvin, was the first President of the International Electrotechnical Commission (IEC)
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

Level 1 - Start-up
No proper control framework

Level 2 - Development
Proper internal control framework

Level 3 - Control
Focus on compliance and control

Level 4 - Information
Measuring how resources are used

Level 5 - Managed
Use of resources with effective results

Level 6 - Optimising
Continuous improvement and learning
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
### DEPARTMENT X

**Average Score**: 1.82

**Signed off by**: Chief Financial Officer

<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
<th>Score</th>
<th>Associated Risks</th>
<th>Associated Controls</th>
<th>Reviewers' Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>019: Does a delegated asset practitioner (AAP) verify the acquisition of the asset against an approved asset acquisition plan before the order is placed?</td>
<td>NO</td>
<td>0</td>
<td>Assets are acquired which were not planned and budgeted for.</td>
<td>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.</td>
<td>The demand management plan, especially with the IT plan is currently in progress.</td>
</tr>
</tbody>
</table>

**Surplus and/or obsolete assets are on hand and do not contribute to service delivery.**

Planned disposal of surplus assets are taking place.

- Reconcile assets disposed with asset disposal plan.
- Inspection is performed to determine the assets’ condition and useful 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.
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**Questions still to be answered**: 0
AVERAGE SCORE FOR THE DEPARTMENT

<table>
<thead>
<tr>
<th>Function</th>
<th>Previous Year</th>
<th>Current Year</th>
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</thead>
<tbody>
<tr>
<td>Asset Management</td>
<td>2.32</td>
<td>2.84</td>
</tr>
<tr>
<td>Compensation of Employees</td>
<td>2.57</td>
<td>2.31</td>
</tr>
<tr>
<td>General</td>
<td>2.29</td>
<td>2.50</td>
</tr>
<tr>
<td>Goods and Services</td>
<td>2.62</td>
<td>2.88</td>
</tr>
<tr>
<td>Liability Management</td>
<td>2.67</td>
<td>2.43</td>
</tr>
<tr>
<td>Revenue Management</td>
<td>2.62</td>
<td>2.25</td>
</tr>
<tr>
<td>Transfer Payments</td>
<td>2.09</td>
<td>2.09</td>
</tr>
</tbody>
</table>
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

Assessments

Results

Analysis

Strategic Support Plans (OAG)

Action Plans (Clients)

Effective Monitoring and evaluation
ARE WE CLEAR ABOUT THE STATUS OF FINANCIAL MANAGEMENT
SUPPORT TO STAKEHOLDERS

FMIP Governance

- Consolidation & Accounting support, implementation of frameworks
- Monitoring and Enforcement of compliance with FM legislation
- Financial Management Capability Maturity Model
- Frameworks, templates, policies & procedures

OAG

- Technical Support Services
- Accounting Support & Reporting
- Internal Audit Support
- Risk Management Support
- Supply Chain Compliance Unit
- Special Audit Services

PFMA & MFMA

- Capacity Building
  - Risk management support & implementation of frameworks

- Internal audit support & implementation of frameworks
- 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
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

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