



## Department of Finance

Litiko LeteTimali

UmNyango weZeemali

Departement van Finansies

Kgoro ya Matlotlo

### REPORT TO THE AUDIT COMMITTEE FORUM

#### 1. BACKGROUND

The National Treasury's Governance and Monitoring Section, in conjunction with the Provincial Treasury's Norms and Standards Unit implemented the Financial Maturity Capability assessment during the 2009/10 financial year. The results indicated that most departments were at the Developmental level (Level 2).

A brief outline of levels 1, 2 and 3 are set out below:

Level	Outline
1 – Start-up level	No proper internal control framework exists.
2 – Development level	Proper internal control framework is starting to be developed, e.g. approved policies and procedures are in place but typically not implemented and adhered to.
3 – Control level	Focus on compliance and control. Statutory and Regulatory reporting requirements are met.  Internal control framework fully developed, implemented and adhered to. Adequate resources (human, physical, technical and financial) are available.  Assets are safeguarded.  Data is reliable and its integrity supports operational planning and monitoring.  Operations are monitored and controlled.

Since the Control level (level 3) is the minimum requirement for all Government Institutions in South Africa, it should become the explicit goal of all organisations within the Public Sector to achieve this level.

A brief outline of Levels 4, 5 and 6 are set out below:

Level	Outline
4 – Information level	Focus on cost and quality on the goods and services produced and how resources are used.

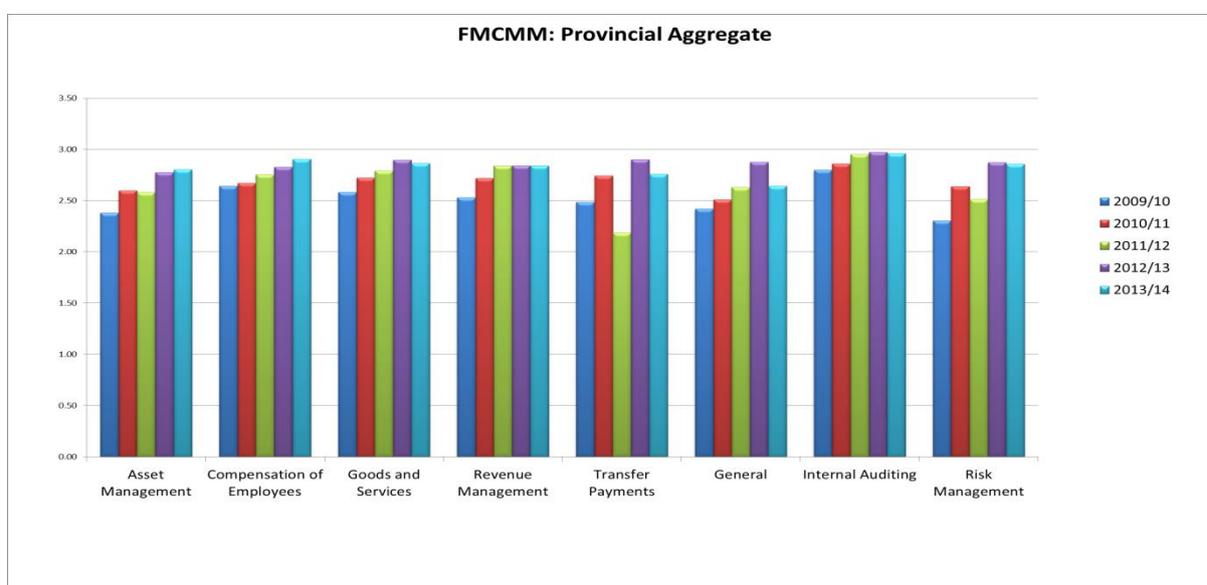
	Senior Management explicitly demand and promote effective financial management and demonstrate its value.  Consistent, comparable financial and operational information and reports meet the needs of operational managers.
5 – Managed level	The organization is not only capable of analysing the cost and quality of the goods and services produced but should also be capable of assessing whether the production was conducted in the most cost-effective way.
6 – Optimising level	Focus on continuous improvement and learning.

The results emanating from the previous assessment (2012/13) revealed that Departments were still at the Development level (level 2). The results were also in stark contrast with the matters raised in the Audit reports.

The Norms and Standards Directorate in the Provincial Treasury therefore requested Chief Financial Officers of Departments to avail themselves for the completion of the Financial Management Capability Maturity Model. After completion, the results were analysed by the Provincial Treasury.

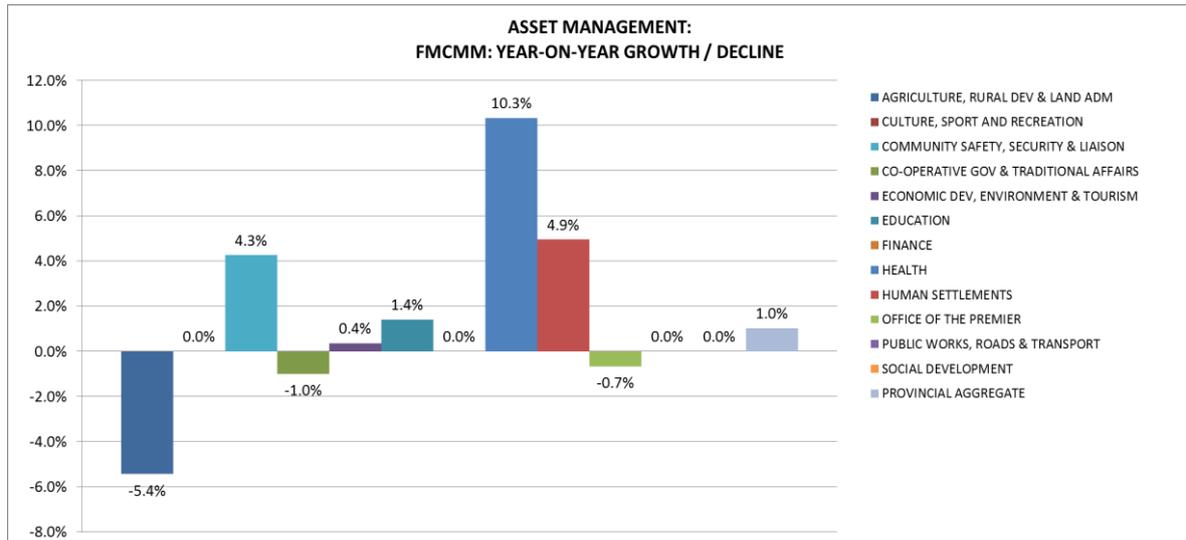
## 2. FMCMM RESULTS

The **Provincial aggregate** of the results indicate that there was a decrease in the total of the aggregated departmental score. The results indicate improvement in terms of asset management and compensation of employees and a decrease in terms of goods and services, transfer payments, internal audit and risk management and the total aggregate decreased from level 2.87 in 2012/13 to level 2.83 in 2013/14.

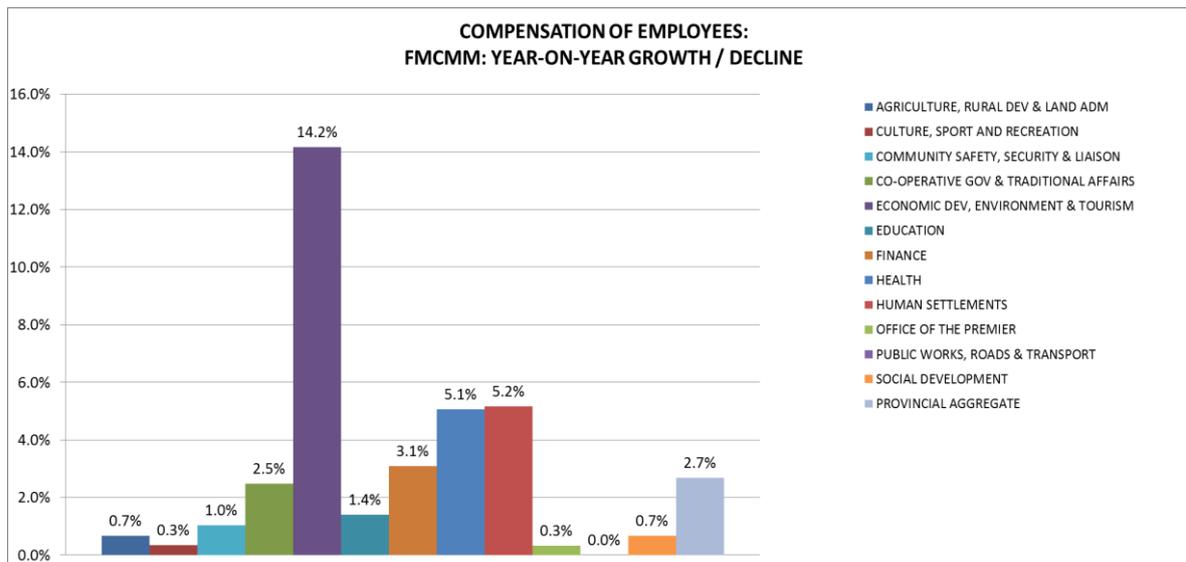


The Department of Agriculture, Rural Development and Land Administration decreased with 5.4 per cent when compared to the 2012/13 financial year results in terms of **asset management**. The Department of Health improved the most by 10.3 per cent with the

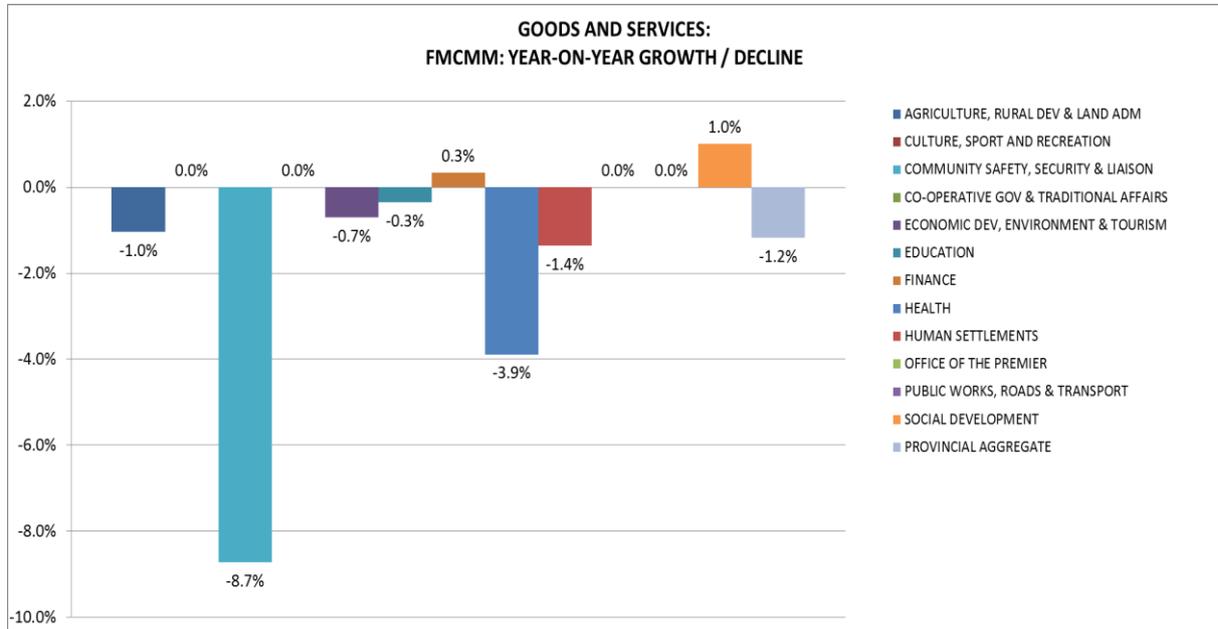
Departments of Human Settlements and Community Safety, Security and Liaison increasing with 4.9 and 4.3 per cent respectively.



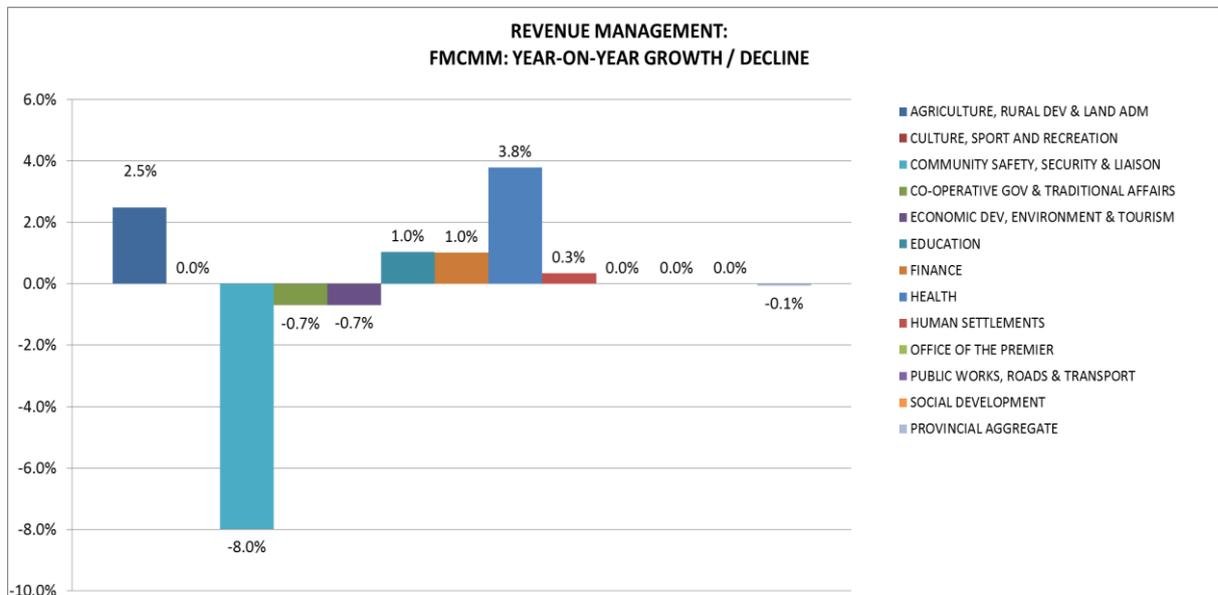
In terms of **Compensation of Employees**, all departments' results improved or stayed the same. The Department of Economic Development, Environment and Tourism's results increased the most with 14.2 per cent against the Provincial aggregate that indicates an overall improvement of 2.7 per cent.



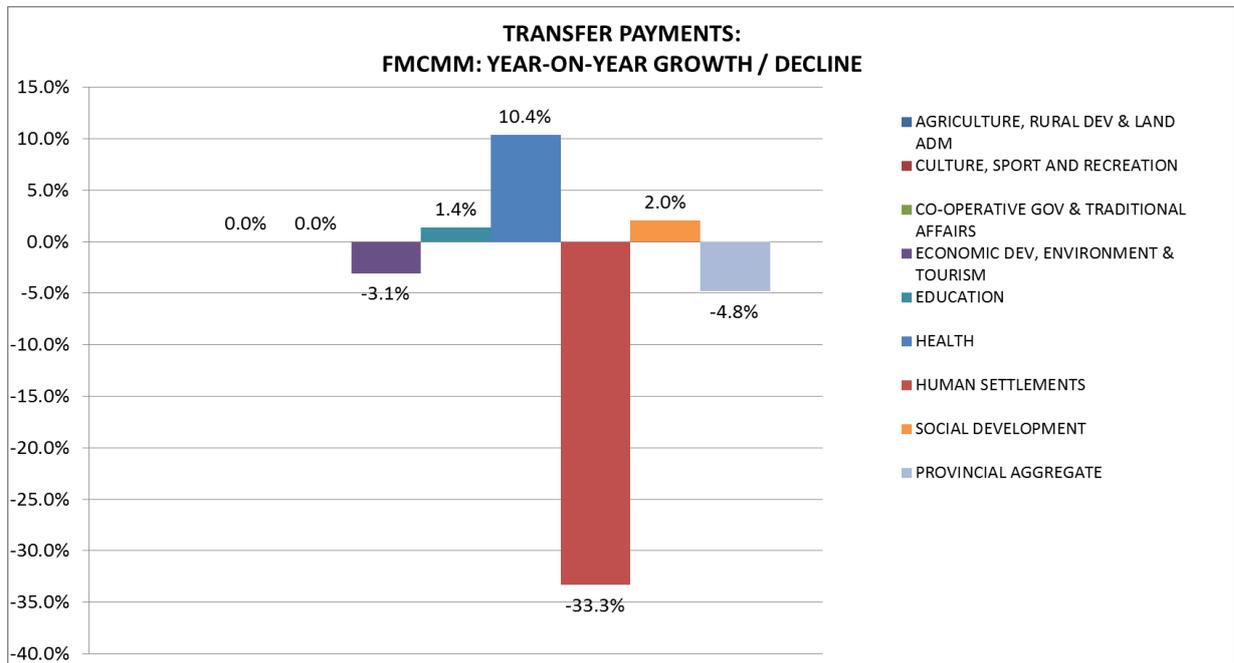
The overall Provincial aggregate for **Goods and Services** indicates a decrease of 1.2 per cent. The Department of Community Safety, Security and Liaison' results for this key area show the most decrease of 8.7 per cent, followed by the Department of Health with a decrease of 3.9 per cent.



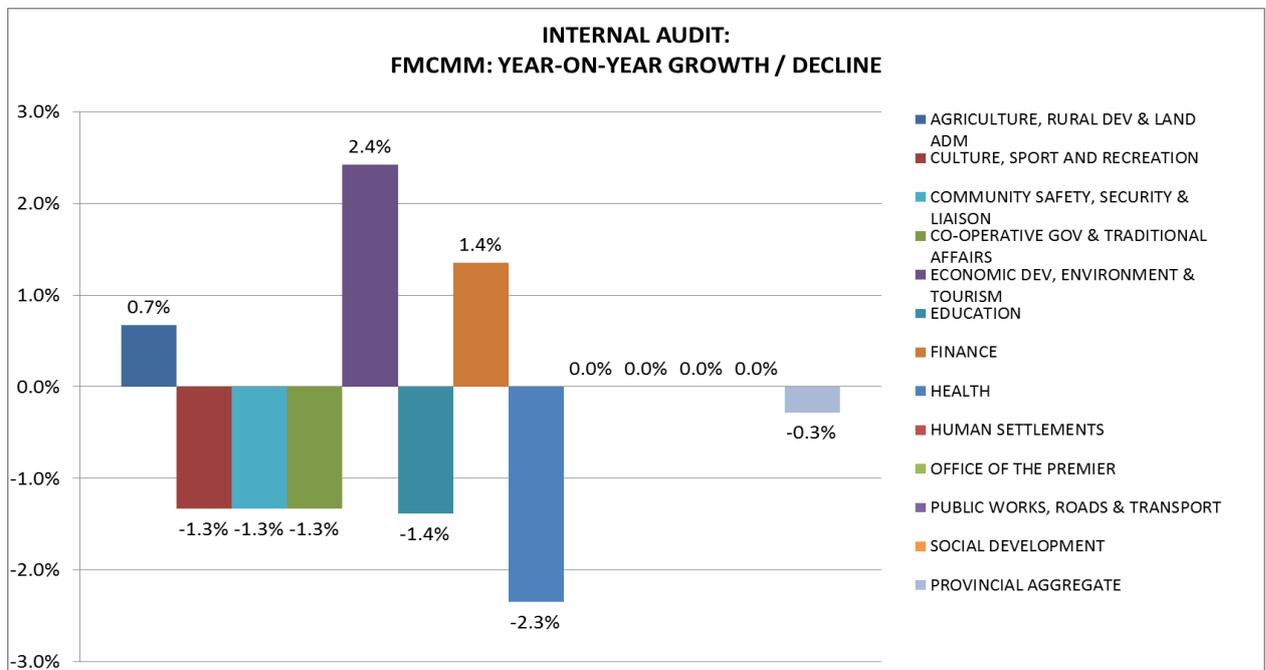
The year-on-year analysis indicates that the Department of Community Safety, Security and Liaison' results for **revenue management** have decreased the most while the Department of Health increased by 3.8 per cent for this key are.



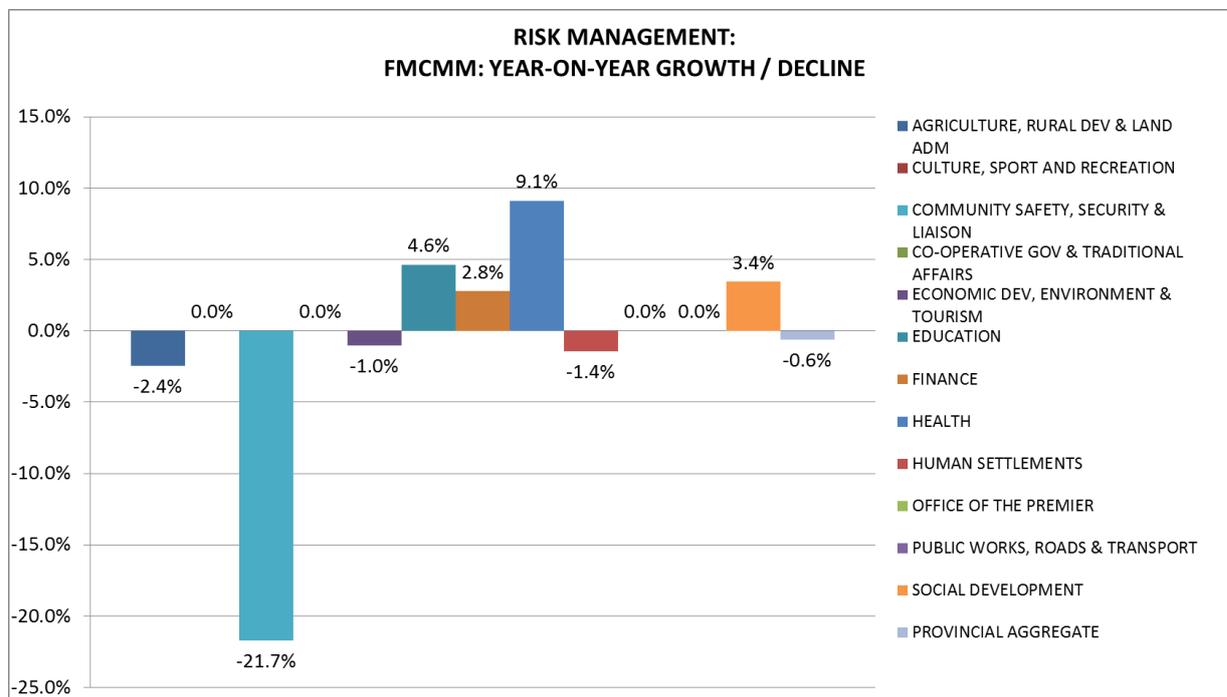
In terms of **transfer payments**, the Department of Human Settlements' results have decreased with 33.3 per cent while the Department of Education has improved with 10.4 per cent in comparison with the previous financial year with a provincial aggregate of -4.8 per cent.



The Provincial aggregate for governance matters (**internal audit**) indicates an overall decrease of 0.3 per cent. The Department of Health's results decreased 2.3 per cent followed by the Department of Education with 1.4 per cent. The Department of Economic Development, Environment and Tourism's results show an improvement of 2.4 per cent.



Overall decrease in terms of **Risk Management** in the Province is reflected as 0.6 per cent with the Department of Community Safety, Security and Liaison with a decrease of 21.7 per cent and the Department of Health with an improvement of 9.1 per cent.



### 3. REMEDIAL ACTION PLANS

Remedial action plan frameworks have been developed for all departments reflecting issues where the response was “No” or “Partial”, i.e. where there is a need to address the issues through implementation of an action plan. All Accounting Officers were requested to ensure that a remedial action plan is developed for the 2013/14 financial year results and the documents submitted to the Provincial Treasury for monitoring and support purposes by **14 June 2013**. Remedial actions implemented and monitored will assist the Departments in increasing their financial management maturity level.

It is a great concern that areas that have been identified for remedial actions to be implemented during the previous years, have still not being addressed, which means that the remedial actions have not been implemented or are not addressing the gaps.

Thank you,

Signed by:

**MS J BEZUIDENHOUT**  
**PROVINCIAL ACCOUNTANT-GENERAL**  
**DATE: 16/09/2013**