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Department of Finance

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PROVINCIAL TREASURY CIRCULAR 2 OF 2011

TO:

THE ACCOUNTING OFFICER: VOTE 1: OFFICE OF THE PREMIER (MR JM RABODILA)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR RM MOROPA)
THE ACCOUNTING OFFICER: VOTE 3: FINANCE (MR M MAZIBUKO)
THE ACCOUNTING OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR D MAHLOBO)
THE ACCOUNTING OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (MS NL SITHOLE)
THE ACCOUNTING OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (MR RS TSHUKUDU)
THE ACCOUNTING OFFICER: VOTE 7: EDUCATION (MS MOC MHLABANE)
THE ACCOUNTING OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MR KM MOHLASEDI)
THE ACCOUNTING OFFICER: VOTE 9: SAFETY, SECURITY & LIAISON (MR IN KHOZA)
THE ACCOUNTING OFFICER: VOTE 10: HEALTH (DR JJ MAHLANGU)
THE ACCOUNTING OFFICER: VOTE 11: CULTURE SPORTS AND RECREATION (MS SP MJWARA)
THE ACTING ACCOUNTING OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS NL MLANGENI)
THE ACCOUNTING OFFICER: VOTE 13: HUMAN SETTLEMENTS (MR D DUBE)

THE ACTING CHIEF FINANCIAL OFFICER: VOTE 1: OFFICE OF THE PREMIER (MS P NGWENYA)
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR S SANYANE)
THE CHIEF FINANCIAL OFFICER: VOTE 3: FINANCE (MS P SEMENYA)
THE CHIEF FINANCIAL OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR MD SHIPALANA)
THE CHIEF FINANCIAL OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (MS B LAURENCE)
THE CHIEF FINANCIAL OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (MS JP HLATSWAYO)
THE CHIEF FINANCIAL OFFICER: VOTE 7: EDUCATION (MR C. MNISI)
THE CHIEF FINANCIAL OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MS PN MOJAPELO)
THE CHIEF FINANCIAL OFFICER: VOTE 9: SAFETY, SECURITY & LIAISON (MR BH NGOMA)
THE CHIEF FINANCIAL OFFICER: VOTE 10: HEALTH (MS G MILAZI)
THE CHIEF FINANCIAL OFFICER: VOTE 11: CULTURE SPORTS AND RECREATION (MR M KHOZA)
THE ACTING CHIEF FINANCIAL OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS P MORGAN)
THE CHIEF FINANCIAL OFFICER: VOTE 13: HUMAN SETTLEMENTS (MR CT DLAMINI)

FINANCIAL MANAGEMENT CAPABILITY MATURITY MODEL ASSESSMENT (FMCMM) – 2011/2012

In terms of Section 18(2)(b) of the Public Finance Management Act (PFMA), Act No.1 of 1999, the Provincial Treasury must enforce this Act and any prescribed national and provincial norms and standards, including any prescribed standards of generally recognised accounting practice and uniform classification systems, in provincial departments.

It should be emphasized that the Head of a Department, as Accounting Officer, is ultimately accountable for the effective and efficient management of a Department. In terms of Section 38(1)(a) of the PFMA, the Accounting Officer for a Department must ensure that the Department maintains effective, efficient and transparent systems of financial and risk management and internal control.

Financial Management Maturity Capability Model exercises were conducted during the 2009/10 and 2010/11 financial years. The results indicated that most departments were between the Developmental level (Level 2) and the control level (Level 3).

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	<p>Focus on compliance and control. Statutory and Regulatory reporting requirements are met.</p> <p>Internal control framework fully developed, implemented and adhered to.</p> <p>Adequate resources (human, physical, technical and financial) are available.</p> <p>Assets are safeguarded.</p> <p>Data is reliable and its integrity supports operational planning and monitoring.</p> <p>Operations are monitored and controlled.</p>

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.

Level	Outline
	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 Provincial Treasury again developed the action plan framework to address all issues raised in the FMCMM for the 2010/11 financial year, and it was submitted to all Departments to complete and submit to Provincial Treasury for implementation. No Department responded or indicated on how it will deal with the findings to improve on the level of control and compliance.

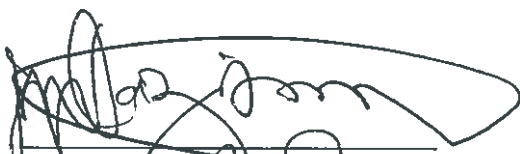
In order to determine whether progress has been made since the previous assessments and also to identify areas that need to be addressed for Operation Clean Audit, 2014, it is necessary that the FMCMM again be completed for the 2011/12 financial year.

The Norms and Standards Directorate in the Provincial Treasury therefore requests that Chief Financial Officers of Departments avail themselves for the completion of the Financial Management Capability Maturity Model. After completion, the model would then be signed off by the Accounting Officers to ensure accountability for the information provided by Chief Financial Officers.

An MS Excel template of the Model and its User Manual will be distributed to Departments. It is requested that questions in the Model be completed and submitted to the Provincial Treasury by not later than **18 March 2011**.

Your co operation in this regard is appreciated.

Kind regards


 MR M. MAZIBUKO
 HEAD OF DEPARTMENT
 DATE: