



PROVINCIAL TREASURY

Provincial Government of the Western Cape

PROVINCIAL GOVERNMENT ACCOUNTING SERVICES

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TREASURY CIRCULAR NO.55 of 2011

THE PREMIER

THE MINISTER OF AGRICULTURE AND RURAL DEVELOPMENT
THE MINISTER OF COMMUNITY SAFETY
THE MINISTER OF CULTURAL AFFAIRS AND SPORT
THE MINISTER OF EDUCATION
THE MINISTER OF FINANCE, ECONOMIC DEVELOPMENT AND TOURISM
THE MINISTER OF HEALTH
THE MINISTER OF HOUSING
THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING
THE MINISTER OF SOCIAL DEVELOPMENT
THE MINISTER OF TRANSPORT AND PUBLIC WORKS

THE SPEAKER: PROVINCIAL PARLIAMENT
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

ALL OTHER MEMBERS OF PARLIAMENT

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV B GERBER)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR P WILLIAMS)
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (DR JC STEGMANN)
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (DR GA LAWRENCE)
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MS P VINJEVOLD)
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (PROF KC HOUSEHAM)
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MS K LUBELWANA)
THE ACCOUNTING OFFICER: VOTE 8: HOUSING (MR M TSHANGANA)
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR T GILDENHUY) (ACTING)
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR J FOURIE)
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)
THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (DR H FAST)

THE CHIEF FINANCIAL OFFICER: VOTE 1: PREMIER (MR DG BASSON)
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)
THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MR A GILDENHUY)
THE CHIEF FINANCIAL OFFICER: VOTE 4: COMMUNITY SAFETY (MR M FRIZLAR)
THE CHIEF FINANCIAL OFFICER: VOTE 5: EDUCATION (MR L ELY)
THE CHIEF FINANCIAL OFFICER: VOTE 6: HEALTH (MR A VAN NIEKERK)
THE CHIEF FINANCIAL OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MR JO SMITH)
THE CHIEF FINANCIAL OFFICER: VOTE 8: HOUSING (MR F DE WET)
THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR AA GAFFOOR)
THE CHIEF FINANCIAL OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR CR ISMAY)
THE CHIEF FINANCIAL OFFICER: VOTE 11: AGRICULTURE (MR F HUYSAMER)
THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)
THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MR F DE WET)

THE HEAD OFFICIAL: PROVINCIAL TREASURY (DR JC STEGMANN)
THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)
THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR TC ARENDSE)
THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)
THE HEAD: PUBLIC FINANCE (MR H MALILA) (PRO TEM)
THE HEAD: FINANCIAL GOVERNANCE (MR A REDDY) (ACTING)
THE HEAD: ASSET MANAGEMENT (MR TC ARENDSE) (PRO TEM)
THE SENIOR MANAGER: ACCOUNTING SERVICES: PROVINCIAL GOVERNMENT (MR A REDDY)
THE SENIOR MANAGER: ACCOUNTING SERVICES: LOCAL GOVERNMENT (MS L NGXONONO)
THE SENIOR MANAGER: CORPORATE GOVERNANCE (MR B VINK)
THE SENIOR MANAGER: BUDGET MANAGEMENT: PROVINCIAL GOVERNMENT (MS M SHERATON)
THE SENIOR MANAGER: BUDGET MANAGEMENT: LOCAL GOVERNMENT (MR ML BOOYSEN)
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MS A PICK)
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP ONE) (MR F SABBAT)
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP TWO) (MR M SIGABI)
THE SENIOR MANAGER: PUBLIC FINANCE POLICY RESEARCH AND MODELLING (MS C HORTON)
THE SENIOR MANAGER: IMMOVEABLE ASSET MANAGEMENT (MR NB LANGENHOVEN)
THE SENIOR MANAGER: MOVEABLE ASSET MANAGEMENT (MS N EBRAHIM)
THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)
THE HEAD: OFFICE OF THE FINANCE MINISTRY (MS A SMIT)
THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

} For information

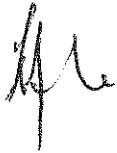
FINANCIAL GOVERNANCE REVIEW AND OUTLOOK 2011: ASSESSMENT REVIEW AND CONSULTATION PROCESS

PURPOSE

1. To inform accounting officers and chief financial officers of Departments of the FGRO 2011 assessment and consultation process.

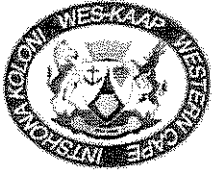
ACTION REQUIRED

2. Accounting Officers and CFOs should note the content of the attached FGRO 2011 process in preparation for FGRO 2011 engagements scheduled in November 2011.



PROVINCIAL ACCOUNTANT-GENERAL

DATE: 26/10/2011



PROVINCIAL TREASURY

Provincial Government of the Western Cape

PROVINCIAL TREASURY FGRO 2011

FINANCIAL GOVERNANCE REVIEW AND OUTLOOK (FGRO) 2011

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Introduction

The FGRO 2011 provides for a next round of financial management capability (FMC) assessments of provincial departments and a high level consultation process on findings. FMC assessments will, after full consultation, serve as a basis for the improvement of financial governance policy environment that is elaborated further on in the document.

To effectively comply with section 18 of the PFMA and to drive the improvement of the Financial Management Capability of Departments, the Financial Governance Review and Outlook (FGRO) 2011 was compiled to monitor progress made by Departments towards a level 3+ auditable organization. The FGRO 2011 presents a fifth round of annual assessments based on a financial management capability model which in principle remains unchanged, and continues to build on previous work done on the financial capability of departments.

The FGRO 2011 will be structured to support PSO 12 to contribute to and underpin the goal of being "the best Regional Government in the World" in terms of financial governance practices. With this in place, irregular expenditure will be reduced, corruption will be eradicated, audits will be unqualified and most importantly, the Provincial Government will get value for money and results based spending.

The Financial Governance Review & Outlook 2011 presents a more focused and structured approach to financial management disciplines in Provincial Treasury, namely Accounting, Corporate Governance, Supply Chain and Movable Asset Management and Supporting and Interlinked Financial Systems.

2

Western Cape Governance Environment

After lengthy discussions with the CFOs and the Provincial Top Management, it was agreed that the FGRO 2010 will serve as a basis for the improvement of financial management capability assessment ratings. PT undertook to revisit the FGRO 2010 and improve the objectiveness of the assessments with full consultation of the CFOs.

Provincial Governance developments

The Financial Governance Review and Outlook 2011 presents a fifth round of annual assessments and realises its focus with PSO12 i.e. "the Best Run Regional Government in the World" with particular focus on achieving a financial management capability assessment rating of level 6 by 2021.

Audit Outcomes 2010/11

The audit outcomes of the Western Cape Provincial Government for the 2010/11 financial year have shown a slight degree of regression when compared to the previous financial year as reflected and analysed below:

Table1: Audit outcomes of 2010/11 compared to 2009/10:

AUDIT OPINION	2010/11	2009/10
Qualified opinion	0	0
Financially Unqualified with other matters	11	6
Financially Unqualified with no other matters	3	7
TOTAL	14	13

It is important to note that there has been a decrease in clean audit reports of departments from seven in 2009/10 to three in 2010/11. In 2010/11, the Provincial Parliament, Agriculture and Community Safety received clean audit opinions for 2010/11.

Whilst unqualified audit reports, inclusive of seven clean audit reports for 2009/10 in the Western Cape were commendable, the Province faced new challenges during the audit process for 2010/11, mainly related to the non-compliance to laws and regulation emanating from interpretation and implementation of National Treasury's practice notes.

In the General Report of the AGSA on the 2009/10 Provincial audit outcomes the following issues were highlighted and continue to be reoccurring:

- Shortcomings around the safeguarding and monthly reconciliation of both movable and immovable assets;
- Irregular expenditure, which requires improved monitoring to ensure compliance with SCM regulations, and
- Under expenditure of votes/budgets, as it has a direct impact on service delivery and/or could raise questions about the quality of public services.

These issues will require focused intervention from Provincial Treasury and departments involved that should be covered in Financial Management Improvement Plans.

3

Financial Governance Review Outlook Process

Financial management capability assessment frameworks, to be included in Chapter 2 of the FGRO 2011, were used to conduct assessments and to rate departments. The goal of these assessments is to collectively provide an overview of how departments are performing, as well as to make recommendations to move towards to higher levels of financial management capability.

Although Provincial Treasury has reviewed the assessment criteria to be more definitive and objective, the principles remained unchanged. Assessments were mainly based on the sampling of payments and receipts, salient issues from the audit and management reports, monthly IYM reports and specific reviews performed by the various Provincial Treasury disciplines involved.

The Provincial Treasury disciplines: Corporate Governance, Supply Chain Management and Moveable Asset Management, Supporting and Interlinked Financial Systems and Accounting were responsible for the departmental assessments during the FGRO 2011 process.

Annexure 1 provides the key activities and dates of the Provincial FGRO 2011 process. Assessments at the departments were conducted during the period 1 September to 14 October 2011. Engagements with the AOs/CFOs, as arranged will take place on the dates as indicated in annexure 2.

Financial Government Review and Outlook 2011 will be presented to Cabinet on 7 December 2011 and distributed as a Working Paper.

FGRO 2011 Timeframes

	Steps	Action	Due date
1.	Assessment frameworks approved by Project Sponsor	Present to Project Sponsor	20/07/2011
2.	Draft assessment frameworks distribute to CFOs for discussion at the CFO forum		11/08/2011
3.	CFO Workshop	Workshop assessment frameworks	16/08/2011
4.	Focus group discussions	Revised assessment frameworks	23/08/2011
5.	Financial Governance and Asset Management to conduct FGRO 2011 assessments	Financial Governance and Asset Management to assess departments and compile inputs, approved by SMS and submitted to PG Accounting Services.	1/09 to 16/10/2011
6.	Chapter 2: Assessment tools	PT disciplines to revise and submit to Accounting PG, assessment tools as signed off by the respective Chief Directors and included in chapter 2 of FGRO.	17/10/2011
7.	Financial Governance and Asset Management to consolidate information.	Financial Governance and Asset Management to compile and submit to Electronic Information Unit (Mrs Ella Smit) for formatting. PG Accounting to edit and compile chapter 3 for assessment and approval by CDs	19-21-24/10/2011 (4 days)
8.	Submit Chapter 3 of the FGRO 2011 to quality controllers	Chapter 3 (draft) submitted to Nadia Ebrahiem, Bazil Vink, Andre Bastiaanse and Johnson Reddy	25/10/2011 (1 day)
9.	Circulate to AOs/CFOs to prepare bilateral engagements	Distributed 5 days in advance	26/10/2011

	Steps	Action	Due date
10.	FGRO sessions with AOs/CFOs of departments	In terms of programme (Annexure 2)	01/11-15/11/2011
11.	Accounting to prepare final document and submissions	Accounting to: 11.1 draft Chapter 1 and summaries 11.2 Final editing and alignment 11.3 Compile Cabinet submissions 11.4 Compile presentation	16/11 - 18/11/2011 (1 day) (1 day) (0.5 day) (0.5 day)
12.	Presented to Cabinet	Presentation of FGRO	07/12/2011
13.	Compile/Distribute as a Working Document	FGRO 2011 distributed	07/12/2011

**FGRO 2011 Engagement Schedule with Accounting Officers and Chief
Financial Officers**

1, 2, 4, 8, 11 and 15 November 2011

Date: Tuesday, 01 November 2011

Venue: Boardroom 3.02

Time	Department
8:00 – 10:00	Social Development
10:00 – 12:00	Cultural Affairs & Sport
12:00 - 12:30	LUNCH
12:30 – 14:30	Environmental Affairs & Development Planning
14:30 - 16:30	Community Safety

Date: Wednesday, 02 November 2011

Venue: Boardroom 3.02

Time	Department
08:00 - 11:00	Transport & Public Works
12:30 - 14:30	Economic Development & Tourism

Date: Friday, 04 November 2011

Venue: Boardroom 3.02

Time	Department
11:00 - 13:00	Provincial Treasury
13:00 - 15:00	Premier

Date: Tuesday, 08 November 2011

Venue: Boardroom 3.02

Time	Department
8:00 - 10:00	Human Settlements/Local Government

Date: Tuesday, 08 November 2011

Venue: Agriculture Office's Eisenburg

Time	Department
14:00 - 16:00	Agriculture

Date: Friday, 11 November 2011

Venue: Boardroom 3.02

Time	Department
10:00 - 12:00	Health

Date: Tuesday, 15 November 2011

Venue: Boardroom 3.02

Time	Department
11:30 - 13:30	Education