

National Treasury MPAT Case Study

“Finding the glue to stick a bridge to the stars”

June 2013



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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Background to the Financial Management Journey

Background

National Treasury is responsible for coordinating South Africa's macroeconomic policy, and promoting the national fiscal policy framework, and the Constitution mandates the National Treasury to ensure **transparency, accountability** and **sound financial controls** in the management of public finances. Given the mandate of the National Treasury itself, the way in which it conducts its own financial business through its Corporate Services Division must be beyond reproach.

In this context, the way the National Treasury's financial management is aimed to be **structured** in a manner that is a catalyst for **best practice example** to other government departments in the way in which they execute the business of government. It is on this basis that the financial management team are in a **perpetual cycle of improvement** always striving to be the **trend setters in excellent performance and efficiency in all financial management aspects**.



Organisation Structure of the Office of the CFO

The Office of the Chief Financial Officer consists of three directorates as illustrated below:



There were a number of challenges along the road to great performance...

Some of the key challenges faced by the Financial Management team were as follows:

1 Staff capacity and related skills

Staff required clarity in terms of their roles and what was required of them and there were a number of grey areas in terms of responsibility and accountability for tasks. Linking the appropriate skills to a role was initially quite problematic.

2 Adhering to policies

Staff often tried to “work around” systems without fully understanding the resulting implications. Understanding of governing policies was limited and not always adhered to.

3 Low staff morale

Relationships between management and their reportees were limited and staff felt they did not have the freedom to share their thoughts and opinions freely. As a result, staff felt that they did not have a forum where their voice could be heard which resulted in low morale. “More corridor chat-chat”.

4 Weak Internal Controls

The management of invoice payment process was not in line with the PFMA requirements of 30 day supplier payments. Often the process was not adhered to and follow-ups were not done in the manner required.

A number of key actions were taken to address the key challenges

Some of the actions taken to address the issues are detailed below:

1

Staff capacity and related skills

- All job activities and controls were detailed in order to eliminate “grey areas” or any ambiguity on responsibilities. This required a detailed mapping of all process flows, key controls and listing possible risks of employees not addressing process controls. This not only improved accountability but brought a culture of knowledge sharing or management
- The recruitment process of new staff tried to find a balance between both qualifications and experience as opposed to just focusing on one or the other. This improved the match between a job description and the skills required to do the job. Recruitment is based on pool skills set which matches the delivery culture.

2

Adhering to policies

- In order to ensure that your staff stick to the rules, when you develop and implement departmental policy it has to have staff buy-in. Staff would be actively engaged in all levels of the policy making procedure.
- Communicating the implications of a policy is key to the success of its implementation. This requires communicating the same message in number of forums such as knowledge sharing sessions, staff meetings, one-on-ones amongst others. Further, consequence management is key.

3

Low staff morale

- Management started actively promoting communications in monthly meetings. In addition, staff would be involved in the decision making process. Through these engagements staff were made aware of the impact of their jobs
- If a job was well done employees would be acknowledged in a public forum.
- All levels of management started actively building a relationship with their reportees and encouraged a culture of openness without fear of intimidation or retribution.
- Pipeline development –
 - There is an emphasis on internal staff development where staff are capacitated and have the opportunity for internal promotion which increases staff morale.
 - Interns are preferred candidates and absorbed if positions are available.

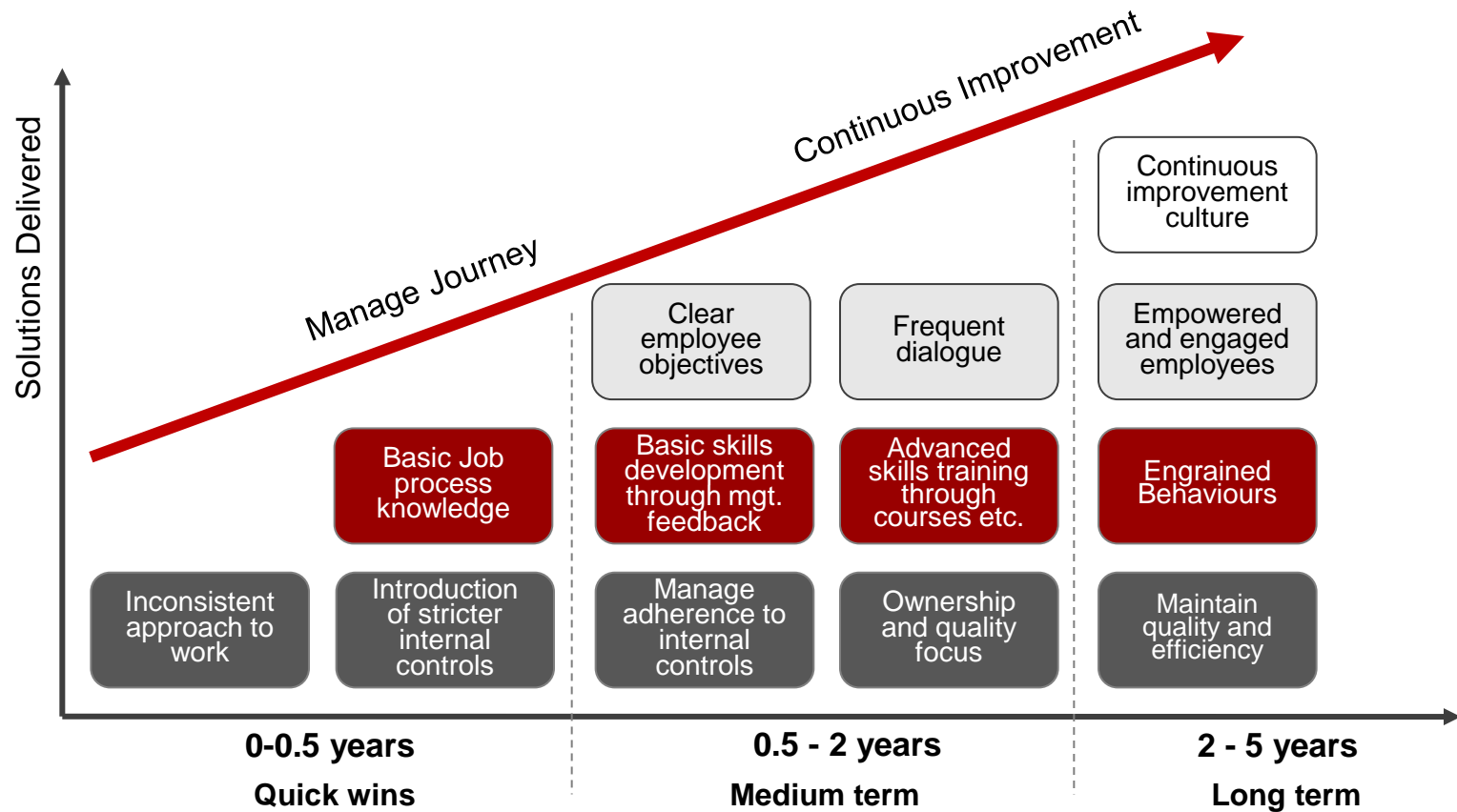
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Weak Internal Controls

- The SCM unit was introduced in 2003 and further enhanced in 2011 to improve governance and controls
- Developed an Internal Control Framework which clarified real controls from assumed controls
- The invoice payment processes and procedures were well articulated and workshopped amongst employees. At present anyone in the value chain can tell you what documentation is required before a transaction can be paid.
- Service Level Agreements were signed between each budget manager and SCM.
- Invoice Management was strictly monitored and controlled in line with the PFMA requirements.

The journey we followed in addressing our issues started 5 years ago

Actions taken to deliver change in our challenge areas was a slow and systematic process where delivering a fundamental change in financial management required a long term effort in terms of building the culture and capability of the organisation.



What are the next areas of focus for improvement?

While we have managed to achieve improvements in a number of areas we are still have a way to go before we reach our end goal of being the **trend setters in excellent performance and efficiency in all financial management aspects**

The key initiatives we will focus on in the near future are:

- Continuous **stakeholder engagement** on governance
- Vigorous pursuit and promotion of **consequence management** amongst staff
- Implementation of the **Internal Control Framework**
- **Promotion of synergies** internally and with external stakeholders
- **Plans for sustaining the new ways of working** and for **continuous improvement**

What were our ingredients for success?

The CFO is clear that there is no one ingredient in the recipe that provides success...

“When the pig is fat, and feeding at a trough which is filled with food, you don’t ask which particular ingredient it is that is making the pig fat. And you don’t start removing parts of its food. You keep feeding it on what you know is making it fat.”

