



South Africa Country Case Study

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Overall approach to digital PFM

In 2002, the government of South Africa approved its first project to implement an Integrated Financial Management System (IFMS). However, a complex governance structure and technical approach led to delays in implementation. Procurement processes based on limited specifications and the choice to work with multiple vendors were considered the reasons for the delays and inconsistencies in the first project.

The Ministry of Finance noted that, during the first project, with the promise of a new integrated system, departments were dissuaded from investing in their existing legacy systems. This meant that the original, excel-based tools used in the majority of PFM functions have not been reviewed or upgraded. Neglecting legacy systems was identified as a threat to the proper running of PFM processes.

This first attempt at introducing a single digital PFM system was abandoned, and an amended two-step approach was initiated in 2013. This approach involved:

Step 1. [underway] Maintenance and basic upgrades of simple, reliable legacy Excel-based systems, emphasizing interoperability of data and clearer governance structures.

Step 2. [planned] Implementing new tool, once foundations are ready, using a single COTS Solution with only minimal or no customisation (IFMS2)

The new IFMS (IFMS2) is being implemented based on a public roadmap¹. This outlines a step-by-step approach where the programme can only move forward if the IFMS Steering Committee has approved the outcomes from the previous phase. The National Treasury instituted internal audit and forensic investigations as well as the establishment of a panel of experts. The programme is now entering the design phase with pilot sites.

Getting the foundations right (Step 1)

The choice and management of IT tools and information systems organization are decentralized in the South African public sector. This means each public entity can use their own tools to collect and report on public financing data. Since 2013, the emphasis at the National Treasury has been on how to ensure this data could be aggregated with a high-degree of accuracy. Therefore, the digital PFM system is now **guided by common accounting standards and IT standards** that all decentralized entities must adhere to. It additionally has benefited from a new governance with the IFMS Chief Directorate and a clarification of responsibilities between different institutions (HR / Finance / ICT).

With regards to **accounting standards**, the National Treasury is the main steering champion for digital transformation as well as the entity in charge of integrating data through its IFMS Chief Directorate and Project Management Office (PMO) . The interoperability of data is enabled through the use of a common Chart of Accounts applicable to all national and provincial government departments. It provides the framework against which all financial transactions made by government must be classified.

The State IT Authority (SITA), under the Minister of Communications, Telecommunications and Postal Service, is responsible for **IT standards**. It has put in MIOS (Minimum interoperability Standards) and MISS (Minimum Information Security Standards) as well as a set of service catalogues and standards

¹ <http://www.ifms.gov.za/Roadmap.aspx>

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all part of a National Integrated ICT Policy White paper that describes the overarching policy framework for the transformation of the country for 2020-2025². The crux of the approach is to establish a Centre of Excellence in SITA that is able to build a common design and deployment approach based on the highest requirements. This should ensure that systems share data in a consistent way and are run in accordance with defined security requirements.

Currently, the core PFM processes of national and provincial government are managed through multiple distinct IT products, mostly Excel-based solutions and non-connected databases³. As a result of focusing on the maintenance of reliable and functional tools, the core PFM functions have resumed. The National Treasury had impressive success in creating high-quality and timely reports on budget and expenditure data, although procurement data does not benefit from the same standardization and systems remain fragmented without clear consolidation.

The National Treasury continues to introduce new PFM reforms, such as accrual accounting and results-based budget execution. As the PFM processes are becoming more complex, more advance tools and systems upgrades are required. The existing transversal system, comprising multiple distinct information technology (IT) products, does not provide comprehensive business intelligence vision across all national and provincial structures.

² https://static.pmg.org.za/Annexure_B_Strategic_Plan_2020-2025_V37_25Jan2022.pdf

³ Information Systems in Public Financial Management South Africa's financial management information architecture: Workable transversal system or outdated legacy system? CABRI report by Simon Creswell