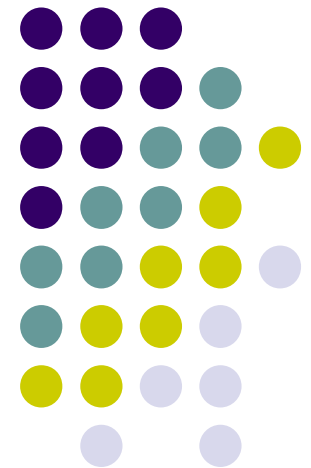


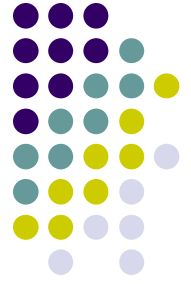


# IFMIS BENEFIT REALIZATION

ICGFM Conference – Washington DC  
December 2007

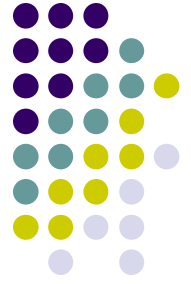
Gert van der Linde  
Senior FM Specialist, World Bank



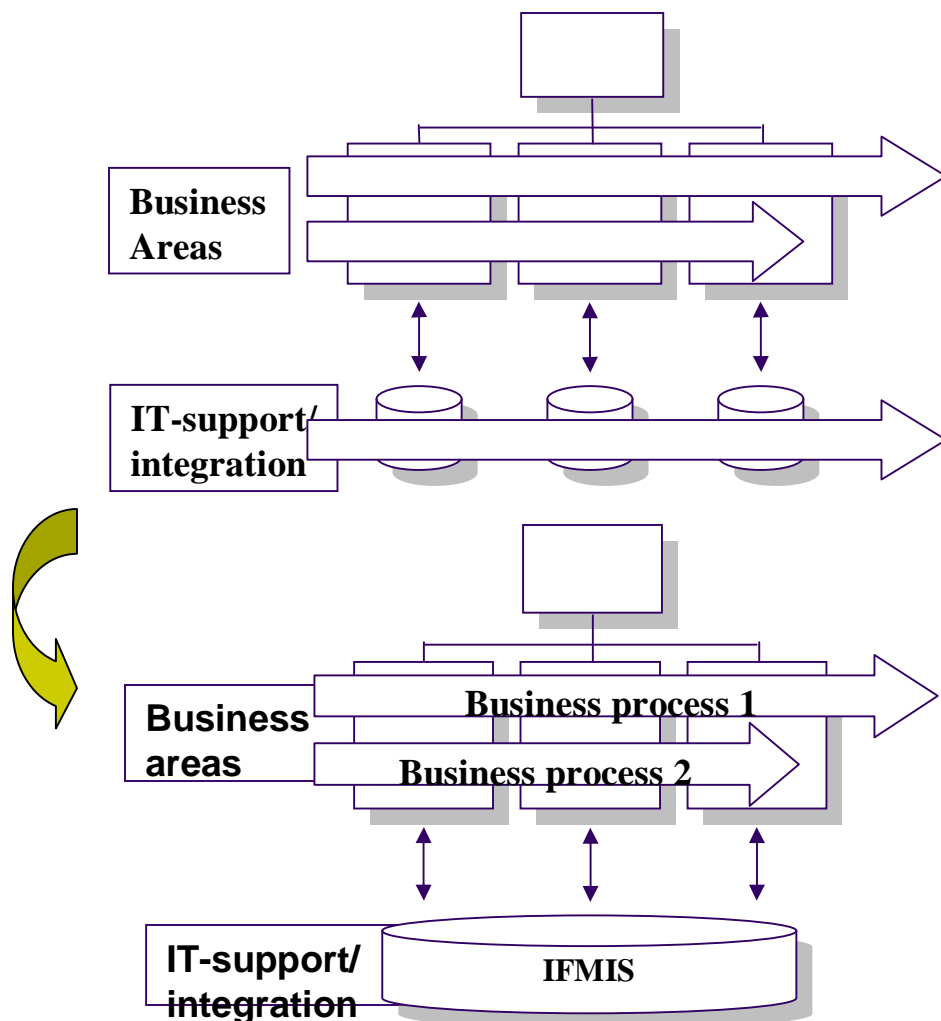


# Agenda

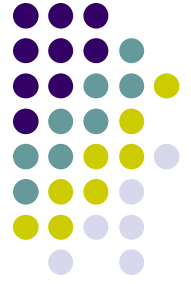
- | Let's recap IFMIS...
- | What are some of the key expected benefits to be gained from an IFMIS?
- | What are some IFMIS experiences in realizing benefits?
  - | Brazil – Betânia Xavier
  - | Laos – Sanya Praseuth
  - | Malawi – Nwazi Mnthambala
  - | Uganda – John Muwanga
- | So why are some projects more successful than others?
- | Discussion



# Let's recap IFMIS....



- | Core integrated FM Modules:
  - | Budget and appropriation management
  - | Requisition, order and commitment management
  - | Accounts payable
  - | Revenue and accounts receivable
  - | Cash books – payments, receipting and reconciliation
  - | General ledger
  - | Financial reporting
  - | Stock / inventory
  - | Payroll / HRM
  - | Secure interfaces for others
- | Interfaced
  - | Debt management, tax, etc.



## Let's recap IFMIS....(2)

- | Processes financial management transactions on a single software platform and a single database –
  - | standard data classification for recording events
  - | common processes for similar transactions
  - | consistently applied internal controls over data entry, transaction processing and reporting
  - | control framework for revenue, expenditure, asset and liability management
- | Facilitates sharing of common data and the flow of information amongst different functions and processes of an enterprise
- | Allows users to track and analyze trends in a wide range of events in an integrated fashion to plan for future performance improvements across the enterprise

# What are some of the key expected benefits to be gained from an IFMIS?



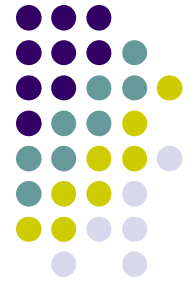
Not something like this.....



"Your food stamps will be stopped effective March 1992 because we received notice that you passed away. May God bless you. You may reapply if there is a change in your circumstances."

*--Department of Social Services, Greenville ,  
South Carolina*

# What are some of the key expected benefits to be gained from an IFMIS?



**Start with the end in mind....**



**national treasury**  
Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

REPUBLIC OF SOUTH AFRICA  
**National Treasury**

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**Consolidated Financial Information**

For the year ended 31 March 2007


**CONSOLIDATED FINANCIAL INFORMATION**  
for the year ended 31 March 2007

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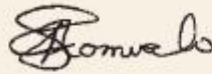
**ACCOUNTING OFFICER'S APPROVAL**

The Consolidated Financial Information is prepared on the going concern basis. The Consolidated Financial Information has been based upon accounting policies, which have been consistently applied and which are supported by the reasonable and prudent judgements of estimates.

The Consolidated Financial Information on pages 27 to 58 and 90 to 129 have been approved by the Accounting Officer and Financial Accountant on 26 October 2007.



**E.L. Kganyago**  
**DIRECTOR-GENERAL**  
**ACCOUNTING OFFICER**



**S.F. Nomvalo**  
**ACCOUNTANT-GENERAL**

## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 March 2007

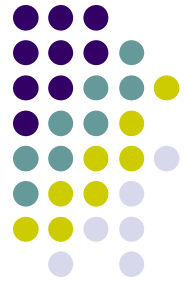


	Notes	2006/07 R'000	2005/06 R'000
<b>OPERATING INCOME</b>		<b>483,321,534</b>	<b>416,164,321</b>
Revenue from Taxes, Levies and Duties	2	470,052,438	403,238,882
Departmental Revenue	2	13,243,191	12,925,059
Other revenue	3	25,905	400
<b>NON-OPERATING INCOME</b>	<b>4</b>	<b>1,259,304</b>	<b>2,940,794</b>
- Non-operating income		1,222,448	2,940,794
Appropriation for unauthorised expenditure approved		1,758	-
CARA Fund assistance		35,100	-
<b>LOCAL AND FOREIGN AID ASSISTANCE</b>	<b>5.1</b>	<b>967,362</b>	<b>811,149</b>
<b>TOTAL INCOME</b>		<b>485,548,200</b>	<b>419,916,264</b>
<b>NATIONAL REVENUE FUND EXPENDITURE</b>		<b>209,168,094</b>	<b>186,913,459</b>
Appropriated funds	6	203,580,728	186,605,861
Non-operating expenditure		5,207,164	36,363
Other expenditure		380,202	271,235
<b>DEPARTMENTAL EXPENDITURE</b>		<b>80,335,992</b>	<b>79,770,704</b>
<b>Current expenditure</b>		<b>50,834,912</b>	<b>45,213,274</b>
Compensation of employees	7	28,098,733	24,691,825
Goods and services	8	887	16,034
Interest and rent on land	9	142,021	247,035
Financial transactions in assets and liabilities	10	168,724	-
CARA fund assistance and trading entity		1,038,921	602,538
Local and foreign aid assistance	5.2	51,794	-
Unauthorised expenditure approved		-	-
<b>Transfers and subsidies</b>	<b>11</b>	<b>181,463,971</b>	<b>153,633,824</b>
<b>Capital Expenditure</b>		<b>6,555,239</b>	<b>7,224,875</b>
Expenditure for capital assets	12	6,539,856	7,201,282
Local and foreign aid assistance	5.3	15,383	23,593
<b>TOTAL EXPENDITURE</b>		<b>477,523,296</b>	<b>418,542,862</b>
<b>SURPLUS/(DEFICIT)</b>		<b>8,024,904</b>	<b>1,373,402</b>
Add back unauthorised expenditure	13	99,059	103,756
Add back fruitless and wasteful expenditure	14	1,248	7,637
Add back non-cash movement		16,341,644	8,179,858
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>24,466,855</b>	<b>9,664,653</b>
<b>Reconciliation of Net Surplus/(Deficit) for the year</b>			
Voted Funds		24,687,421	9,457,688
Departmental revenue		-	21,985
Local and foreign aid assistance		(86,942)	185,020
CARA Fund assistance		(133,624)	-
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>24,466,855</b>	<b>9,664,653</b>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### for the year ended 31 March 2007



	Notes	2006/07 R'000	2005/06 R'000
<b>ASSETS</b>			
<b>Current assets</b>		<b>115,582,163</b>	<b>70,145,078</b>
Unauthorised expenditure	13	1,138,732	1,566,343
Fruitless and wasteful expenditure	14	47,229	50,632
Cash and cash equivalents	15	79,279,880	62,070,111
Other financial assets	16	1,308	1,215
Prepayments and advances	17	2,625,050	2,151,958
Receivables	18	32,453,734	4,262,089
Loans	20	-	17,954
Local and foreign aid assistance receivable	5	36,230	24,776
<b>Non-current assets</b>		<b>51,793,502</b>	<b>48,195,846</b>
Investments	19	51,309,568	47,699,837
Loans	20	483,562	495,698
Other financial assets	16	371	311
<b>TOTAL ASSETS</b>		<b>167,375,665</b>	<b>118,340,924</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>117,109,417</b>	<b>114,604,241</b>
Voted funds to be surrendered to the Revenue Fund	21	630,939	483,323
Departmental revenue to be surrendered to the Revenue Fund	22	(108,133)	-
Bank overdraft	23	4,564,202	3,550,354
Payables	24	3,926,122	2,332,488
Borrowings	26	82,444,373	82,407,535
Provisions	27	25,398,246	25,498,623
Local and foreign aid assistance payable		627	64,879
Local and foreign aid assistance unutilised		253,041	267,039
<b>Non-current liabilities</b>		<b>468,161,438</b>	<b>444,622,510</b>
Payables	25	19,021	23,850
Borrowings	26.2	468,142,418	444,598,660
<b>TOTAL LIABILITIES</b>		<b>585,270,855</b>	<b>559,226,751</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>(417,895,190)</b>	<b>(440,885,827)</b>
<b>Represented by:</b>			
Capitalisation Reserves		(418,655,167)	(441,691,950)
Recoverable revenue		528,503	499,220
Retained funds (Legislatures/Parliament/CARA Fund assistance)		271,474	306,903
<b>TOTAL</b>		<b>(417,895,190)</b>	<b>(440,885,827)</b>



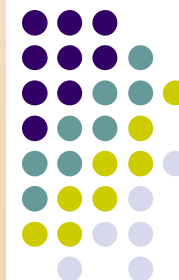
## DISCLOSURE NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

	<i>Note</i>	2006/07 R'000	2005/06 R'000
<b>31 Contingent liabilities</b>			
Liable to			
*Motor vehicle guarantees		15,005	15,843
*Housing loan guarantees		446,126	557,942
*Claims against the department		11,012,112	9,148,348
*Other departments (interdepartmental unconfirmed balances)		116,689	75,083
Environmental rehabilitation liability		7,170	7,100
Other		89,976	1,047,317
<b>Total</b>		<b>11,687,078</b>	<b>10,851,633</b>
<b>31.1 Underwritten by Government</b>			
Guaranteed liabilities	31.1.1	68,659,705	68,213,994
Road Accident Fund	31.1.2	23,872,400	21,351,450
SASRIA Reinsurance Cover	31.1.3	-	1,000,000
Export Credit Insurance Corporation of SA Ltd	31.1.4	10,871,106	7,243,113
Unemployment Insurance Fund		2,034,828	2,299,827
<b>31.2 Other</b>			
South African Reserve Bank	31.2.1	114,136	115,172
Departments	31.2.2	11,687,078	10,851,633
		<b>117,239,253</b>	<b>111,075,189</b>
<b>31.1 Underwritten by Government</b>			
<b>31.1.1 Guaranteed liabilities</b>			
Transnet		19,781,279	19,838,141
Development Bank of SA		12,425,932	11,850,210
Trans Caledon Tunnel Authority		17,690,399	16,568,986
*Telkom SA		4,784,819	4,683,817
South African Roads Board		5,884,582	6,199,080
KOBWA		1,548,125	1,603,060
Industrial Development Corporation of SA		1,219,930	1,172,035
Eskom		132,890	132,287
Lesotho Highlands Development Authority		763,165	261,242
SA Reserve Bank		763,155	4,365,941
Land Bank		1,854,388	155,990
*Central Energy Fund		335,741	441,350
NECSA		-	461,350
Servcon		-	19,989
Tertiary Institutions		354,981	430,536
Atomic Energy Co-operation of SA Ltd		20,000	20,000
South African Air Ways		1,300,339	-
		<b>68,659,705</b>	<b>68,213,994</b>

\* These figures differ from those published in 2005/06 as a result of departments adjusting their financial statements.



## DISCLOSURE NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)



	2006/07 R'000	2005/06 R'000
<b>32.2 Pension funds</b>	<b>12,775,000</b>	<b>12,775,000</b>
Government Employees Pension Fund		
This commitment represents the underfunding/shortage of the pension funds according to the most recent actuarial valuations. Actuarial valuations are conducted every three years. This liability continues to be based on incomplete assessment data.		
<b>Funding levels</b>	<b>%</b>	<b>%</b>
Government Employees Pension Fund	96.5	96.5
Temporary Employees Pension Fund	164.0	139.0
Associated Institutions Pension Fund	155.6	152.8
<b>Valuation dates</b>		
Government Employees Pension Fund	March 2004	March 2004
Temporary Employees Pension Fund	March 2004	March 2001
Associated Institutions Pension Fund	March 2005	March 2002
Temporary Employees and the Associated Pension Fund are in surplus with R111,6 million and R3,631 million respectively (2005/06: R59,7 million and R2,858 million respectively).		
<b>3 Commitments</b>		
<b>Current expenditure</b>		
Approved and contracted	29,880,932	2,412,450
Approved but not yet contracted	5,917,925	2,690,615
	<b>35,798,857</b>	<b>5,303,065</b>
<b>Non-current expenditure</b>		
Approved and contracted	2,961,751	2,672,621
Approved but not yet contracted	11,516,639	3,384,527
	<b>14,478,390</b>	<b>6,257,148</b>
<b>Total Commitments</b>	<b>50,277,247</b>	<b>11,560,213</b>

# SEGMENT REPORTS

## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

### for the year ended 31 March 2007



Statement of Financial Performance by Segment for the year ended 31 March 2007	Government Clusters					
	Central Government	Financial & Administration	Social Services	Justice & Protection Services	Economic Services	TOTAL
<b>Revenue</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Annual appropriation	35,372,802	21,854,212	91,919,174	72,800,200	44,416,976	266,163,164
Statutory appropriation	231,372	-	5,328,427	1,071,056	-	6,630,855
Appropriation for unauthorised expenditure approved	-	1,758	-	-	-	1,758
Departmental revenue	541,833	4,726,642	920,152	1,957,943	5,788,621	13,243,191
CARA Fund Assistance	-	-	3,300	31,800	-	35,100
Trading entity	-	-	-	-	-	-
Local and foreign aid assistance	31,454	26,005	243,807	130,764	635,332	967,362
<b>TOTAL REVENUE</b>	<b>36,277,261</b>	<b>26,408,617</b>	<b>98,414,860</b>	<b>75,201,763</b>	<b>50,738,929</b>	<b>287,041,430</b>
<b>Current expenditure</b>						
Compensation of employees	3,258,165	2,166,778	1,152,008	41,030,920	3,227,043	50,834,912
Goods and services	3,351,304	1,469,007	1,647,216	17,316,530	4,282,576	28,066,733
Interest and rent on land	-	-	-	40	847	887
Financial transactions in assets and liabilities	38,894	9,886	25,819	36,812	30,816	142,021
CARA Fund Assistance	168,724	-	-	-	-	168,724
Local and foreign aid assistance	39,084	35,429	212,721	132,007	619,680	1,038,921
Unauthorised expenditure approved	13,238	37,893	-	-	693	51,794
<b>Total current expenditure</b>	<b>6,869,397</b>	<b>3,738,965</b>	<b>3,037,764</b>	<b>58,518,409</b>	<b>8,171,427</b>	<b>85,335,962</b>
<b>Transfers and subsidies</b>	<b>26,463,112</b>	<b>16,969,205</b>	<b>93,127,392</b>	<b>10,660,937</b>	<b>34,873,338</b>	<b>181,463,971</b>
<b>Expenditure for capital assets</b>						
Buildings and other fixed structures	579,467	-	216,155	1,683,464	184,173	2,663,259
Machinery and Equipment	373,035	68,251	48,870	2,590,884	205,283	3,266,103
Biological or cultivated assets	-	-	-	597	79	676
Software and other intangible assets	140,371	1,802	44,808	37,712	27,235	251,848
Land and subsoil assets	-	-	-	-	339,970	339,970
CARA Fund Assistance	-	-	-	-	-	-
Local and foreign aid assistance	6	89	303	245	14,740	15,383
Unauthorised expenditure approved	-	-	-	-	-	-
<b>Total expenditure for capital assets</b>	<b>1,092,879</b>	<b>67,942</b>	<b>310,236</b>	<b>4,312,682</b>	<b>771,480</b>	<b>6,555,239</b>
<b>TOTAL EXPENDITURE</b>	<b>34,465,388</b>	<b>20,716,137</b>	<b>96,475,412</b>	<b>72,892,028</b>	<b>43,816,237</b>	<b>268,355,202</b>
<b>SURPLUS/(DEFICIT)</b>	<b>1,811,873</b>	<b>5,692,480</b>	<b>1,939,448</b>	<b>2,309,735</b>	<b>6,922,692</b>	<b>18,686,228</b>
Add back unauthorised expenditure	99,059	-	-	-	-	99,059
Add back fruitless and wasteful expenditure	-	22	45	805	315	1,248
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>1,920,932</b>	<b>5,692,502</b>	<b>1,939,493</b>	<b>2,310,601</b>	<b>6,923,007</b>	<b>18,786,536</b>
Reconciliation of Net Surplus/(Deficit) for the year						
Voted Funds	1,455,459	975,373	965,258	1,112,346	1,235,474	5,763,910
Departmental revenue	541,833	4,726,642	920,152	1,957,943	5,788,621	13,243,191
Local and foreign aid assistance	(7,636)	(9,513)	30,783	(1,488)	(99,088)	(86,942)
CARA Fund Assistance	(168,724)	-	3,300	31,800	-	(133,624)
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>1,920,932</b>	<b>5,692,502</b>	<b>1,939,493</b>	<b>2,310,601</b>	<b>6,923,007</b>	<b>18,786,536</b>



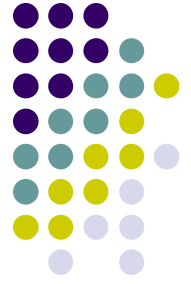
## CONSTITUTIONAL INSTITUTIONS, SCHEDULE 2, 3A & 3B PUBLIC ENTITIES AND TRADING ACCOUNTS

### CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 March 2007

	Notes	2007 R'000	2006 R'000
<b>OPERATING INCOME</b>		<b>164,616,234</b>	<b>147,189,762</b>
Taxation revenue	2	578,405	546,715
Sale of goods	3	69,806,844	60,620,611
Rendering of services	4	49,514,766	44,399,321
Rental income	5	1,407,046	1,406,770
Transfers and subsidies	6	19,295,959	19,817,056
Lewies	7	23,908,228	20,281,472
Fines, penalties and forfeits	8	104,986	117,817
Local and foreign aid assistance	9	412,751	357,913
<b>NON-OPERATING INCOME</b>		<b>19,062,651</b>	<b>10,084,313</b>
Gains on disposal of assets	10	167,930	427,223
National Skills Fund income	11	248,139	289,688
Gifts, sponsorships and donations	12	114,186	117,129
Other income	13	18,532,396	9,260,273
<b>TOTAL REVENUE</b>		<b>184,091,636</b>	<b>157,641,988</b>
<b>EXPENDITURE</b>			
Cost of Sales		(36,598,863)	(30,930,890)
Administrative expenses	14	(7,189,396)	(7,307,549)
Research and development costs	15	(817,247)	(665,971)
Staff costs	16	(43,240,999)	(36,977,898)
Marketing costs	17	(1,454,037)	(1,160,390)
Audit fees	18	(311,795)	(317,417)
Project expenses	19	(4,002,417)	(3,927,104)
National Skills Fund expenses	20	(177,728)	(287,705)
Transfers and subsidies	21	(4,882,911)	(6,215,731)
Gifts, sponsorships and donations	22	(216,469)	(189,346)
Local and foreign aid assistance	23	(557,978)	(178,537)
Other operating expenses	24	(53,250,343)	(45,420,621)
Losses on disposal of assets	10	(112,843)	(208,065)
<b>TOTAL EXPENDITURE</b>		<b>(152,813,026)</b>	<b>(133,787,224)</b>
<b>SURPLUS/(DEFICIT) FROM OPERATIONS</b>		<b>31,278,610</b>	<b>23,854,764</b>

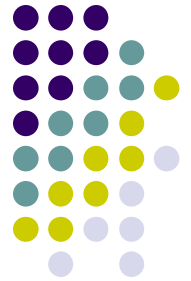


# Start with the end in mind...and make all elements work together!



- | In this case, not all information can come from a single IFMIS...
- | But IFMIS type systems support most of the consolidated entities
- | Legal framework as important –
  - | Defines “ownership control” that ensures consolidation
  - | Sets overall time frame and responsibility for submission of annual reports (which include audited financial statements) and audited consolidated financial information
  - | Control over bank account configuration and financial systems
- | Basic accounting routines and rules were put in place – timely recording, reconciliations, clearance of suspense accounts, etc.

# What are some of the key expected benefits to be gained from an IFMIS?



If set-up and used well, facilitates improvement of -

- | Planning and budgeting
  - | Historic information on expenditures
  - | More realistic and standardized budget formulation
  - | Improved resource allocation
- | Budget execution
  - | Revenue, commitment and expenditure control
  - | Cost efficiency and savings – often a key driver in private sector
  - | Asset, liability and cash management
  - | Risk management and control systems
  - | Access to reliable and timely information to support decision making
  - | Customer service
- | Monitoring, evaluation and accountability
  - | Decision making and fiduciary responsibilities
  - | Auditable financial statements
  - | Control over fraud and corruption

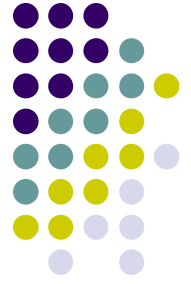


# IFMIS experiences in realizing benefits - progress in Africa



<i>Progress made with some tangible results</i>	Tanzania, Madagascar, Uganda, Cape Verde, Mauritius, Sierra Leone, Burkina Faso, Malawi, Mozambique, South Africa ...
<i>Slow/uncertain progress</i>	Ghana, Kenya ...
<i>Difficult to start</i>	Zambia, Nigeria, Congo Brazzaville, Chad ...

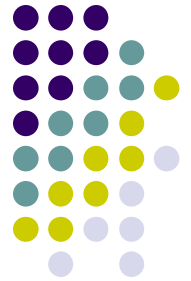
# IFMIS experiences in realizing benefits



Country presentations -

- | Brazil – Betânia Xavier
- | Laos – Sanya Praseuth
- | Malawi – Nwazi Mnthambala
- | Uganda – John Muwanga

# So why are some projects more successful than others?

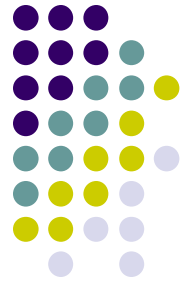


Bill Dorotinsky (2003) -

- | If success is defined as...
  - | delivered as-specified ex ante - 43 % delivered as specified
  - | delivered on-budget - 50 % delivered on budget
  - | delivered on-time - 21 % delivered on-time
- | But, these indicators only looks at project, not impact on financial management, operations
  - | Improvements to reporting? Staffing changes?
- | Generally,
  - | no or weak performance indicators in projects
  - | no baseline
  - | broader impact assessment difficult.

# Example – Commercial Bank XYZ

## Program benefits over 10 year period



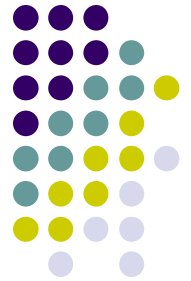
FA - Systems	R133m
MA – Systems	R 29m
FA - Business Effectiveness savings	R 65m
MA - Business Effectiveness savings	R272m

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Total FA Savings	R199m
Total MA Savings	R302m

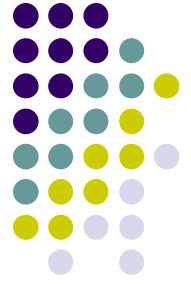
- 
- | TOTAL SAVINGS OVER 10 YEAR PERIOD R501m
  - | MANAGED THROUGH FORMAL BENEFIT TRACKING, REVIEW PROCESS AND BUDGET CUTS.....!

# So why are some projects more successful than others?



- | Political commitment, management buy-in, clear IFMIS “business ownership”, strong interagency cooperation and life cycle funding
- | Project team – governance and risk management, FM and IT capacity, project management methodology, incentives and knowledge transfer
- | Getting the basics right - definition of the reporting entity and all its transactions, standard chart of accounts, control over bank accounts, basic accounting controls, “one-off” data entry to support integration and reporting requirements
- | Integration of legal framework, PFM architecture and information architecture - chart of accounts, GFS and IPSAS accounting standards
- | Simplify procurement cycle and vendor management - turnkey approach
- | Independent quality assurance mechanism
- | Quick wins and change management
- | What gets measured, gets done.....!

# So why are some projects more successful than others?



Neilson and McGrath (*Why CEOs Fail to Lead Large-Scale Change*)

- | The CEO makes a strong case for change by clearly and persuasively articulating the factors driving it
- | Senior leaders set an aggressive, enterprise-wide target
- | Senior management is firmly aligned
- | An integrated enterprise-wide change program is put in place
- | Senior leaders focus on expanding capabilities along with cutting costs
- | Moments of truth are recognized and shared to demonstrate commitment
- | A detailed plan provides the blueprint
- | Enabling triggers are built in from the start
- | Communication is proactive and ongoing
- | The results of change are sustained





**Thanks for your time!**

Discussion?

