An initiative of the South African National Treasury
The Vulindlela Project:

Satisfying National and International Reporting Requirements

Presented by: Ismail Mamoojee
GOVERNMENT VISION

- Improve quality of Financial Management across Public Sector
- Uniform Reporting of Financial Statements
- Comply with Internationally Recognized Accounting Principles
- Fulfill key deliverables via prudent Financial Management
AIM OF NATIONAL TREASURY

- Promote economic development;
- Good Governance;
- Social Progress;
- Rising living standards through the accountable, economic, efficient, equitable and sustainable management of public finance.
KEY OBJECTIVES AND PROGRAMMES

Guided by Government’s overall policy objectives of economic growth, increased employment, socio-economic development, improved service delivery, and transparent and accountable governance,

the National Treasury’s Key objectives are:

- to advance economic growth;
- to prepare a sound national budget;
- to raise fiscal revenue;
- to manage Government’s financial assets and liabilities; and to contribute to improved financial management through promoting and enforcing the transparent and effective management of –

  * Revenue    *Expenditure    *Assets  &  *Liabilities

  IN ALL SPHERES OF GOVERNMENT
The National Treasury Vote comprises eight programs. One of the programs is: **Program 5: Financial Accounting and Reporting.**

**Departmental Structure**
National Government (33 Ministries/Departments)

- Health
- Housing
- NATIONAL TREASURY
- Education
- Defence
- Stats SA

- Minister
- Director General

- Program 1
- Program 2
- Program 3
- Program 4
- Program 5
- Program 6
- Program 7

- Financial Accounting & Reporting
The Program: Financial Accounting and Reporting

Sets government accounting policy and standards, prepares consolidated financial statements, and seeks to improve and integrate financial management.
The program consists of various sub-programs. One of the sub-programs is:

Management Information Systems Vulindlela, which enables accurate and timely reporting in terms of the PFMA Requirements and re-classification of Government expenditure in accordance to GFS standards to report to the

- International Monetary Fund (IMF)
- and World Bank.
POLICY DEVELOPMENTS

The Financial Management Improvement subprogram has been implementing Section 216 of the constitution by preparing financial statements in line with GRAP, and implementing, GRAP standards as determined by the Accounting Standards Board.

It has also set out to define and improve the format and content of financial statements as required by the PFMA.

This is being benchmarked against international best practice.
<table>
<thead>
<tr>
<th>Sub-program</th>
<th>Output</th>
<th>Output measures / indicators</th>
<th>Target</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Reporting on National Accounts</td>
<td>Monthly expenditure &amp; consolidation reports</td>
<td>Timely publishing of reports</td>
<td>30 days after month-end &amp; 6 months after year-end</td>
<td>International markets look at the financial position of the country. World Bank &amp; all other borrowing entities look at whether they should provide us with the necessary funds requested. Provides statistics for outside investors</td>
</tr>
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<td>Output</td>
<td>Output measures / indicators</td>
<td>Target</td>
<td>Benefit</td>
</tr>
<tr>
<td>-------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
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<td>-----------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Management Information System: Vulindlela</td>
<td>Timeous and accurate reporting in accordance with PFMA</td>
<td>Sign off by Departments. Sign off by Provinces. Publish in National Government Gazette – monthly.</td>
<td>30 days after month-end &amp; 6 months after year-end</td>
<td>Establish a better credit rating amongst outside investors and other borrowing entities.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Timeous publishing of reports.</td>
<td>Monthly Quarterly</td>
<td>Accomplish a uniform reporting structure across the spheres of Government.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Re-classification of government expenditure into GFS format Quarterly reports to International Monetary Fund.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Management Information System: Vulindlela**

  - Timeous and accurate reporting in accordance with PFMA
  - Timeous publishing of reports.
  - Re-classification of government expenditure into GFS format
  - Quarterly reports to International Monetary Fund.

  **Benefit:** Establish a better credit rating amongst outside investors and other borrowing entities.

  **Re-classification of government expenditure into GFS format**

  - Quarterly reports to International Monetary Fund.
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<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Information System: Vulindlela</td>
<td>Having accessible information to enable accounting officers to assess their departments’ financial position and condition.</td>
<td>Daily balances on Vulindlela</td>
<td>Daily</td>
<td>Prevent unauthorized and wasteful expenditure</td>
</tr>
<tr>
<td></td>
<td>Allowing for the timing and volume of current and future cash flows &amp; borrowings to be evaluated and predicted.</td>
<td>FMS BAS</td>
<td></td>
<td>Ensure compliance with section 86 of PFMA. (Accounting Officer’s Responsibilities)</td>
</tr>
</tbody>
</table>
GOVERNMENT’S CHALLENGE

Data Rich

Finance

Personnel

Stock control

Information Poor
Groans in the corridors....

A few days later...
Too late!!
VULINDLELA

A ZULU WORD
MEANING..

‘TO OPEN THE WAY’
THE MISSION OF ‘VULINDLELELA’

‘We collect and manage data to deliver useful, integrated information that supports management within government.’
THE PROCESSES

Reconciled Data = Core data ("Detail" tables per subject)

Derived Data = Summary tables

Real-time Data = Extract

Data Problems - Causes?

Data Marts

Load

Transform

PERSAL, FMS, BAS, LOGIS, NRF PMG, External Systems

Internet

Exploitation

Data Warehouse
VULINDLELA has enabled

- Amalgamating of data from legacy systems
- Compliance to international reporting through GFS
- Basic Financial Management through IYM
- Manage Cash Flow
VULINDLELA & GFS

GFS Classification Committee

GFS Classification System

GFS Classifications

GFS Budget report
EXAMPLE CORRECTIONAL SERVICES

Objectives  Responsibilities  Items

PROGRAM

{ CARE OF OFFENDERS }

SUBPROGRAM

{ CARE }

ELEMENT

{ PHYSICAL CARE }

ACTIVITY

{ PERSONAL SERVICES }

RESPONSIBILITY

{ GAUTENG }

RESPONSIBILITY 1

{ PRETORIA }

RESPONSIBILITY 2

{ PTA CENTRAL }

RESPONSIBILITY 3

{ MALE SECTION }

RESPONSIBILITY 4

{ WEST BLOCK }

RESPONSIBILITY 5

STANDARD ITEM

{ STORES & LIVESTOCK }

ITEM 2

{ STORES }

ITEM 3

{ BEDDING }

ITEM 4

{ BLANKETS }
Example - Correctional Services

Objectives

- PROGRAM
  - CARE OF OFFENDERS
    - CARE
    - ELEMENT
      - PHYSICAL CARE
      - PERSONAL SERVICES

- SUBPROGRAM

- ELEMENT

- ACTIVITY

Objective and item lowest level

Items

- STANDARD ITEM
  - ITEM 2
    - STORES
      - ITEM 3
        - BEDDING
      - ITEM 4
        - BLANKETS

Economical = Goods & Services

Functional = Prison operation
THE IN-YEAR MONITORING SYSTEM (IYM)

- Application tool that shows actual and projected expenditure
- Optimises cash flow
- Provides an audit trial of expenditure trends
- Reduce unnecessary State Debt
- Optimises borrowing process to minimize interest burdens
CASH FLOW VARIANCES
As illustrated by IYM (sample)

<table>
<thead>
<tr>
<th></th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sept</th>
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</thead>
<tbody>
<tr>
<td>Act. Expenditure</td>
<td>30</td>
<td>25</td>
<td>40</td>
<td>30</td>
<td>30</td>
<td>35</td>
</tr>
<tr>
<td>Projection</td>
<td>30</td>
<td>35</td>
<td>35</td>
<td>25</td>
<td>35</td>
<td>40</td>
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</table>
Vulindlela
Provides daily info. For Actual Exp. & Available Budget to application

Sub-program Mgr Captures projections into spreadsheet

Financials Daily

Sub-Program Mgr.

Excel Spreadsheet

Program Mgr. Budget Controller

CFO/AO

CFO/AO sign off & submit to Treasury

Spreadsheet is uploaded into Application

NATIONAL TREASURY
1999 PUBLIC FINANCE MANAGEMENT ACT (PFMA)

**KEY OBJECTIVE**

Enhance ‘accountability and sound management of revenue, expenditure, assets and liabilities across Public Sector Institutions’

{ Chapter 1, Section II }
<table>
<thead>
<tr>
<th>VULINDLELA</th>
<th>Budget 2001 - 02</th>
<th>Actual Expenditure to end of Jul-01</th>
<th>PROJECTED EXPENDITURE</th>
<th>AVAILABLE FUNDS (13-14-15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>August</td>
<td>Sept</td>
<td>Commitments</td>
<td>Other</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>6</td>
<td>13</td>
<td>14</td>
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</table>

<table>
<thead>
<tr>
<th>STANDARD ITEM DESCRIPTION</th>
<th>R’000</th>
<th>R’000</th>
<th>R’000</th>
<th>R’000</th>
<th>R’000</th>
<th>R’000</th>
<th>R’000</th>
<th>R’000</th>
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<tbody>
<tr>
<td>PERSONNEL EXPENDITURE</td>
<td>30,305</td>
<td>1,388</td>
<td>8,345</td>
<td>855,000</td>
<td>138,421</td>
<td>39,175</td>
<td>9,733</td>
<td>48,908</td>
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<tr>
<td>Salaries via Persal</td>
<td>24,569</td>
<td>1,121</td>
<td>11</td>
<td>395,000</td>
<td>111,766</td>
<td>11</td>
<td>1,132</td>
<td>1,143</td>
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<tr>
<td>Co- Ordinating bargaining council</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>8,000</td>
<td>4</td>
<td>65</td>
<td>2</td>
<td>67</td>
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<tr>
<td>Pension Fund</td>
<td>3,685</td>
<td>112</td>
<td>3,500</td>
<td>100,000</td>
<td>16,765</td>
<td>35,252</td>
<td>3,612</td>
<td>38,864</td>
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<tr>
<td>Medical Fund</td>
<td>918</td>
<td>22</td>
<td>2,233</td>
<td>53,000</td>
<td>3,672</td>
<td>2,233</td>
<td>2,255</td>
<td>4,488</td>
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<tr>
<td>Motor Allowances - Senior officials</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>150,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>150,000</td>
</tr>
<tr>
<td>Service bonus</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>44,000</td>
<td>1,686</td>
<td>1,614</td>
<td>-</td>
<td>1,164</td>
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<tr>
<td>Merit Awards</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>70,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>70,000</td>
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<tr>
<td>Home owners allowances</td>
<td>1,132</td>
<td>132</td>
<td>2,600</td>
<td>35,000</td>
<td>4,528</td>
<td>2,732</td>
<td>2,732</td>
<td>30,472</td>
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<tr>
<td>ADMINISTRATIVE EXPENDITURE</td>
<td>12,043</td>
<td>-</td>
<td>2,564</td>
<td>296,000</td>
<td>106,201</td>
<td>-</td>
<td>2,564</td>
<td>2,564</td>
</tr>
<tr>
<td>Subsistence: Local</td>
<td>2,819</td>
<td>2,562</td>
<td>100,000</td>
<td>12,932</td>
<td>2,562</td>
<td>2,562</td>
<td>87,068</td>
<td></td>
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<tr>
<td>Air travel :Local</td>
<td>9,004</td>
<td>-</td>
<td>69,000</td>
<td>53,339</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,661</td>
</tr>
<tr>
<td>Transport : GG</td>
<td>-</td>
<td>0</td>
<td>625</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(625)</td>
</tr>
<tr>
<td>Transport :Private</td>
<td>-</td>
<td>2</td>
<td>2,000</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Transport :Goods &amp; Freight services</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20,000</td>
</tr>
</tbody>
</table>
REQUIREMENTS OF SECTION 40.4
(In-Year-Monitoring)

- Before beginning a financial year, accounting officer to provide monthly breakdown of anticipated revenue and expenditure.

- Each month submit actual revenue and expenditure for previous month and projected figures for next month.

- Within 15 days of end of each month, submit to relevant treasury reports on above, and when necessary provide explanations for material variance.
REQUIREMENTS OF SECTION 32

- National Treasury to report revenue and expenditure monthly to Parliament and National Government Gazette.

- Provinces required to report quarterly to National Treasury on revenue and expenditure.

- Statements of above must show actual expenditure, revenue, and borrowings in comparison with budgeted amounts.
REQUIREMENTS OF SECTION 81 & 86
( Guidelines on Financial Misconduct)

- Financial misconduct essentially defined as failure to comply with Sections 38, 39, 40, 41, 42, which cover accounting officers’ Responsibilities vis-à-vis 1999 PFMA.

- If found guilty of financial misconduct, accounting officer liable to a fine or imprisonment of up to five years.
REQUIREMENTS OF SECTION 40

Sub-clause 40.1
(Accounting Officers’ Reporting Responsibilities)

- Maintain proper records of all financial affairs
- Must prepare financial statements for each fiscal year
- Submit financial statements to the Auditor General and to the relevant treasury.
Reduction in State Interest

Interest as % of Actual or Budget

Accolades

- Acceptance as official data source within Government
- Complies International reporting requirements (GFS)
- Transparency and Trustworthy
- Consolidated accounts
- Better Cash flow Management
- Reduction in Taxation
- Reduction in Loan Interest
- Facilitate Investigations (Micro Lenders, Ghosts, Forensic)
- Current and Comprehensive Analysis
Conclusion

Merci