

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER 628**

**DATE OF PUBLICATION: 9 JUNE 2006**

**DUE TO PARLIAMENT: 23 JUNE 2006**

**MR E W TRENT (DA) TO ASK THE MINISTER OF FINANCE:**

- (1) Whether the accounting offices of each government department had submitted their financial statements as at 31 May 2006 as required by section 40(1)(c) of the Public Finance Management Act (PFMA), Act 1 of 1999; if not, which departments failed to do so;
- (2) whether all the government departments who failed to comply with section 40(1)(c) meet the requirements of section 40(5); if not, (a) why not and (b) what action has been taken in this regard? **N782E**

**REPLY:**

- (1) All departments that are required to submit their financial statements for the year 2005/06 to the National Treasury in terms the PFMA by the 31 May 2006, had done so in compliance with the relevant provision of section 40(1)(c) of the Public Finance Management Act, 1 of 1999.
- (2) As all requisite departments have submitted as per the PFMA, this question is not applicable.

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**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER 1001**

**DATE OF PUBLICATION: 25 AUGUST 2006**

**MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:**

- (1) Whether the various problems which led to the Disclaimer of Audit Opinion in the 2004-05 Auditor-General's Report on Provincial Outcomes have been satisfactorily rectified; if so, what are the relevant details; if not,
- (2) whether the National Treasury plans any intervention in this regard; if not, why not; if so, what will be the nature of the intervention? **N1281E**

**REPLY:**

- (1) The issues identified in the 2004/05 Auditor General's General Report on Provincial Outcomes are being attended to by Government. Both the Budget Council (held on 3<sup>rd</sup> August 2006) and the President's Coordinating Council (held on 8 September 2006) have agreed that the treasuries should work with the affected departments to get a better understanding of the underlying causes of the issues, and to set out the remedial steps to be taken to fix them where such steps have not been taken already.
- (2) Other than the steps we are taking as set out in (1) we do not see the need for any form of intervention at this stage.

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**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER 1228**

**DATE OF PUBLICATION: 15 SEPTEMBER 2006**

**MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:**

Which national and provincial departments or other public institutions have, notwithstanding National Treasury Regulations issued in terms of section 76 of the Public Finance Management Act, Act 1 of 1999, as well as the introduction by National Treasury of a risk management framework, (a) still not conducted regular risk assessments and developed risk management strategies and (b) still experience difficulties with the implementation of risk management systems, particularly with regard to (i) no risk management strategies, (ii) fraud prevention plans and (iii) performance of risk assessments? **N1630E**

**REPLY:**

- (a) Section 38 of the PFMA requires that the Accounting Officer of the Department must establish a system of risk management. In the context of the practice of risk management, the PFMA, and the Treasury Regulations issued there-under, the critical aspect of the assessment is not in the form thereof, but rather in the manner in which it helps focus the department on the issues having the greatest impact on performance. Risk Management is also not a stand-alone or separate activity, but is often interwoven into all aspect of the operations of the department.

Treasury Regulation 3.2 requires that the risk assessment be conducted regularly. While the Accounting Officer would have the final discretion on how often to conduct the assessments, it is reasonable to expect that they would be conducted at least once every three years coinciding with the Medium Term Expenditure Framework cycle. Accordingly information at National Treasury's disposal suggests that all national departments have conducted risk assessments. The challenge, however, remains determining the quality of the assessments and their value as a catalyst for improved operational performance.

Section 18 of the PFMA requires that Provincial Treasuries implement the Act in provincial departments, and accordingly those Provincial Treasuries would be in a better position to indicate the status of risk management in the provincial sphere of government.

- (b) The annual audit outcomes by the Office of the Auditor-General provides an independent and objective assessment of the difficulties that departments are facing in respect of these criteria raised by the Honourable member.

The National Treasury also engages risk management professionals in government through the recently established Public Sector Risk Management Forum and workshops, in addition to the regular assistance and support services offered in the area of risk management.

With regard to the other issues, the Honourable member will be aware that all the requirements of the PFMA and the Treasury regulations are a subject of the Auditor-General's annual audits and are reported accordingly in his general report.

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**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER 1229**

**DATE OF PUBLICATION: 15 SEPTEMBER 2006**

**MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:**

With reference to the Auditor-General's report on audit outcomes for the 2004-05 financial year, which national and provincial departments or other public institutions have (a) internal audit functions and audit committees that are still not considered effective, (b) audit committees which are still not operating in terms of a written terms of reference as required by Treasury Regulation 3.1.8 and (c) internal audit plans still not in place as required by Treasury Regulation 3.2.7?

***N1631E***

**REPLY:**

- (a) The Internal Audit functions and the Audit Committees are meant to improve the control environment, governance and ensure sound financial management –all with the ultimate objective of enabling the entity to achieve service delivery. The attainment of these objectives is a relatively good measure of the effectiveness of the IA functions and Audit Committees.

The Auditor General has pronounced on the effectiveness of these functions by department, as indicated by the qualifications as well as emphases of matter in the 2004/2005 Auditor General's Report.

As far as the 2005/2006 status is concerned the audits have been completed and the Auditor General is currently working on the general report. This report should, we believe, point to which departments could still be struggling with regard to the two functions.

- (b) & (c)

The general report for the 2004/2005 specifies the issues of non-compliance with the PFMA listed by department. The 2005/2006 will reflect the current status.

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**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 1339**

**DATE OF PUBLICATION: 22 SEPTEMBER 2006**

**MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:**

- (1) With reference to the progress report on the implementation of the Public Finance Management Act, Act 1 of 1999, which national and provincial entities and other public sector institutions are still experiencing difficulties with the implementation of sound asset management in respect of (a) incorrect asset descriptions in the asset register, (b) assets that cannot be physically verified, (c) assets that cannot be traced to the asset register, (d) assets not marked, (e) assets that cannot be verified to the ledger and (f) asset registers that are (i) incompatible or (ii) not updated regularly;
- (2) whether any steps are being taken to assist such departments; if not, why not; if so, what steps? **N1746E**

**REPLY:**

- (1) The role of the National Treasury is to prescribe financial management frameworks within which departments operate and to support departments in the implementation thereof. The Accounting Officer of a department is responsible for all operational aspects of financial management within the department and is therefore best placed to provide the level of detail required by this question.

The Auditor-General performs procedures during the audit process that often identify or reveal the difficulties departments face. The detailed findings are available in the summarised version of the General Report as well as the reports of individual departments.

- (2) The National Treasury has taken steps to assist departments with asset management. The following can be noted:
  - In July 2002 an Asset Management Guideline was issued for comment.
  - The principles of asset management and the necessity for it was discussed and presented in various fora.
  - In July 2004, an Asset Management Framework was issued setting out the high-level approach to asset management and the requirements for an asset register.

- Awareness training on asset management was done in all provinces and on a national basis in October and November 2004 through the use of a Learner's Guide developed by National Treasury for that purpose.
- Starting in June 2005 the National Treasury assisted all departments in conducting status assessments on asset management throughout the country. Broad implementation plans were developed to achieve an acceptable level of asset management proficiency over a three-year period.
- In support of this initiative Asset Management Units were established in each provincial treasury and these units were assisted in creating asset management teams in each department.
- Case Study material was developed to illustrate the principles of asset management contained in the Learner's Guide, in a practical way.
- Training workshops were conducted in June and July of 2005 on the asset management guidelines and in March 2006 on the Case Study material.

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**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 1340**

**DATE OF PUBLICATION: 22 SEPTEMBER 2006**

**MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:**

- (1) (a) Which national and provincial departments did not succeed in capturing departmental assets in their asset registers by the target date of 31 March 2004 and (b) why was a system created that is not suitable for all departments to capture assets;
- (2) whether all departments have now completed their asset registers; if not, (a) why not and (b) which departments are defaulters; if so,
- (3) whether all departments are complying with the requirement to complete regular status reports; if not, why not; if so, what are the relevant details?

*N1747E*

**REPLY:**

- (1) (a) This information is published as part of the Auditor- General report of the departments on an annual basis. The summary for all the departments can be accessed from the Auditor-General's report on audit outcomes for the financial year 2003/04 and 2004/05.  
  
(b) The National Treasury is not aware of such an unsuitable system. The existing LOGIS functionality was enhanced to include a basic asset register. This implies that the asset registers of departments that are utilising the LOGIS system for the procurement of their assets are automatically updated. For all other departments that are not utilising the LOGIS system, a web-based asset functionality was made available that enables them to comply with the minimum recording and reporting requirements.
- (2) (a) & (b)

The information on the status of asset registers is available on the audit reports of the Auditor-General for each department and a summary of the detail can be accessed from the general report on audit outcomes also published annually by the Auditor-General.



- (3) Chief Financial Officers' and Asset Management Fora have been created to provide departments with an opportunity to give regular updates on various financial management issues, including asset management. All departments participate in these Fora and provide regular updates therein.