

***BUDGET AND TREASURY OFFICE: MUNICIPAL FINANCIAL
MANAGEMENT CAPABILITY MATURITY MODEL***

5/1

PURPOSE

The purpose of this report is to provide feedback to the Section 80 Committee on the Financial Management Capability Maturity Model (FMCMM).

INTRODUCTION

The Financial Management Capability Maturity Model (FMCMM) is a tool to assess municipalities' level of maturity and capabilities in financial management. It is a framework that describes the key elements of effective financial management and sets out a path that a municipality can follow to progressively develop more sophisticated financial management practices.

The FMCMM was initially developed for assessment of financial maturity in provincial and national departments; it has now been adapted for municipalities.

National Treasury has launched an automated web based FMCMM system to assist municipalities to continuously improve financial and performance management towards effective, efficient and economical service delivery.

The system generates various reports based on the FMCMM and financial ratio assessments. These reports will help Gauteng Treasury to ascertain progress made by the municipalities in a live environment, allowing them to target support towards declining municipalities

The FMCMM is an assessment comprising several key financial management modules and addresses multiple disciplines. Each module contains several questions and assists in improving policies, procedures and processes, with risk identification and mitigation measures. The tool guides municipalities and municipal entities to continuously improve and innovate in financial management towards effective, efficient and economical service delivery. The outcomes of the assessments serve as a proactive 'early warning' mechanism that supports improvements in financial management maturity, capabilities and contribute towards better audit outcomes.

FMCM Maturity Levels

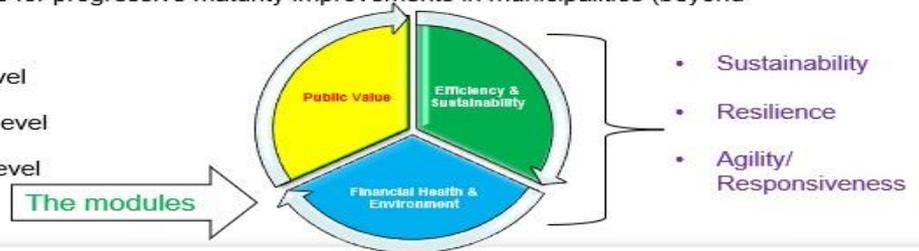
The Municipal FMCM consists of 6 maturity levels.

Levels 1, 2 and 3 - Assessment of compliance levels were completed. **Covers 21 Modules**. Municipalities are in the process of addressing gaps through action plans– include all game changers.

- Level 1 - Starting up
- Level 2 - Developmental
- Level 3 – Controlling

Levels 4,5 and 6 – These assess for progressive maturity improvements in municipalities (beyond compliance) .

- Level 4: Information level
- Level 5: Management level
- Level 6: Optimisation level



OBJECTIVE

The main objective of the FMCM is to provide a tool that can be used to:

- Measure the financial management capability within municipalities.
- Identify gaps within the municipality's financial systems and processes.
- Assist leadership with support in financial management & enhance accountability.
- Provide a tool that helps management to assess skills & structure requirements.
- Provide management with pointers on Financial Systems of Delegations.
- Provide an early-warning mechanism for municipalities.
- Assist municipalities close on AG findings through detailed activity checks.
- Priorities, enhance and monitor National and Provincial Treasury initiatives.
- Inform governance & oversight structures on significant of specific operations.
- Determine the impact of key non-financial processes on financial management

Below is the annual implementation plan for the FMCMM 1, 2 and 3 assessments and development of FMCMM Action Plans.

Timeframes	Modules and Action Plans
July	Bank, Cash and Investments; Compensation of employees; Revenue Management
August	Annual Reports; Expenditure Management; Capacity Building
September	Reassessment: Annual Financial Statements
October	No modules will be assessed
November	No modules will be assessed
December	Entities; Reassessment: Revenue Management
January	Reporting; BTO; Reassessment: Bank, Cash & Investments
February	Risk Management; Grants and Subsidies; Reassessment: Annual Reports
March	Supply Chain Management; Asset Management; Human Resources
April	Internal Audit; Borrowing; Budget
May	Liability Management; Public, Private and Partnerships
June	Annual Financial Statements; Reporting; Reassessment: Budget

RECOMMENDATIONS THAT:

1. Cognizance be taken of the annual implementation plan regarding the Financial Management Capability Maturity Model.