Be a part of the bigger picture

The South African Institute of Professional Accountants isn’t just about the title, it’s about meaningful contributions to the accountancy profession as a whole, as well as your personal career aspirations.
PFMA
Introduction

CPD – Public Sector
April 2018
PFMA - OBJECTIVE

Reasons for the ACT:

- RDP: maximise service delivery
  - Limited resources vs. 'Unlimited' demands
- Satisfy constitutional obligations
  - Transparency and accountability (s216)

Objective of ACT:

- The object of this Act is to secure transparency, accountability, and sound management of the revenue, expenditure, assets and liabilities of the institutions to which this Act applies
PFMA - GOALS

Strategy goal:
- Improve value for money and service delivery
- Effective utilisation of limited resources to achieve service delivery mandates

Secondary goals:
- Modernising financial management in the public sector
- Clear role definitions in the Public Finance structures
- Improve transparency and accountability
- Improve quality of information and reporting
- Improve management
PFMA - IMPLICATIONS

- Establishes National Treasury
- Provides frameworks in place of procedures
- Oversight over public entities
- Accounting Standards Board
- Treasury regulations
PFMA - BENEFITS

- Greater flexibility, within framework
- Basis for assessing achievements
- Linkages between planning & budget
- Focus on outputs & responsibilities
- Better accountability
- Clarity of role of accounting officer
PFMA - ACCOUNTABILITY

Legislature

- Constitutionally empowers
  - Audit Reporting
- Conferred Responsibility
  - Accountability reporting

Auditor-General

Executive

Audit

Transparency

Political

Operational
PFMA - ACCOUNTABILITY

1. ACCOUNTABILITY for OUTCOMES

2. AGREEMENT - OUTCOMES

4. DELEGATION - OUTPUTS (BUDGET)

6. MANAGERIAL ACCOUNTABILITY
ACCOUNTING OFFICER

- Appointment for all departments and constitutional institutions
  - Performance contracts
- Duties and responsibilities
  - Maintaining efficient, effective & transparent systems of financial management
  - Responsible for the effective, efficient, economical and transparent use of the resources
  - Ensure compliance to legislation and regulations
  - Enforcing discipline
- Delegations
  - CFO and others
ACCOUNTING OFFICER

Accountability of Accounting Officer:
- Accountability becomes explicit
- Procedural controls replaced by frameworks
- Accountable for outputs, not only inputs
- Planning responsibilities linked to budget
- Specific assignment of Accounting Officer responsibilities
- CFO with greater competence
- Specific statutory timeframes & sanctions
- Obligatory transparency – not left to Auditor General to discover ‘sins’
ACCOUNTING OFFICER

Support Structures:

- Competent line and financial managers
- Mechanisms to ensure proper risk management
- Appropriately qualified CFO, with necessary infrastructure, to provide expert assistance
- Clearly defined responsibilities for all officials – organisation and operational structure
- Internal audit and audit committee
ACCOUNTING OFFICER

Responsibility for budgeting

- Expenditure of that department is in accordance with the vote of the department
- Effective and appropriate steps are taken to prevent unauthorised expenditure
- Comply with any remedial measures imposed by the treasury in terms of this Act to prevent overspending
- Provide Treasury in the prescribed format with a breakdown per month of the anticipated revenue and expenditure of that department for that financial year
- Each month submit information in the prescribed format on actual revenue and expenditure for the preceding month and the amounts anticipated for that month
Within 15 days of the end of each month submit to the Treasury:
- a projection of expected expenditure and revenue collection for the remainder of the current financial year
- when necessary, an explanation of any material variances and a summary of the steps that are taken to ensure that the projected expenditure and revenue remain within budget.
ACCOUNTING OFFICER

- **Virement**
  - Max 8% of savings
  - Personnel expenditure and transfer payments
  - Allocations earmarked not to be used for other purposes

- Unspent funds may be rolled over subject to certain limitations and conditions

- Additional funds through an Adjustment Estimate
ACCOUNTING OFFICER

Responsibility for Revenue Management:

- Manage revenue efficiently and effectively
- Implementing appropriate processes for
  - Identification
  - Collections
  - Safeguarding
  - Recording
- Must review fees and charges annually
- Information of tariff policy must be disclosed in Annual Report
ACCOUNTING OFFICER

Responsibility for Expenditure Management:

- Authorisation procedures: ensure that internal procedures and control measures are in place for payment approval.

- Approval: official may not spend or commit to spend except with express approval of a properly delegated officer.

- Payment cycle: payments due to creditors must be settled within 30 days.

- Cancellation of contracts: no contract can be cancelled or amended to the detriment of the State without prior Treasury approval.
ACCOUNTING OFFICER

Responsibility for Expenditure Management - Grants:

- Compliance: making or receiving grants must comply with reporting requirements of the division of Revenue Act
- Grant certification: ensure that institutions receiving grants submits with its certificate of compliance (sec 38(I)(j)) - recent audited statements and any annual report
- Approving transfer payments includes, ensuring that:
  - beneficiary complied with conditions attached to previous year's assistance
  - continued financial aid are still necessary
  - agreed objectives were attained
  - transfer payment expense provide reasonable value for money
ACCOUNTING OFFICER

Responsibility for Unauthorised Expenditure:

- Overspending of a Vote or Main Division
- Expenditure not in accordance with purpose of Vote or Main Division
- Reported to Treasury on discovery
- Recover expenditure if not authorised by Legislature
- Amounts must be disclosed in annual financial statements
ACCOUNTING OFFICER

Responsibility for Irregular Expenditure:

- Not in accordance with PFMA or Procurement Legislation or Regulations
- Reported to Treasury or Procurement Authority on discovery
- Treasury or Procurement Authority may condone
- If not condoned losses must be recovered
- Amounts must be disclosed in annual financial statements
ACCOUNTING OFFICER

Responsibility for Fruitless & Wasteful Expenditure:

- Expenditure in vain that could have been prevented
- Reported to relevant Treasury
- Expenditure must be recovered
- Disclosed in annual financial statements
ACCOUNTING OFFICER

Responsibility for Asset Management:

- Ensure that proper control systems exists

- Preventative mechanisms are in place to eliminate theft, losses, wastage and misuse

- Stock levels are at an optimum and economical level

- Sale of immovable property must be at market value

- Letting of immovable State property must be at market-related tariffs and reviewed annually
ACCOUNTING OFFICER

Responsibility for Debtors Management:

- Effective and appropriate steps to collect money due to the Institution
- Debts owing to the State may at discretion of AO be recovered in installments
- Interest must be charged on all debts to the State
- Debt may only be written off after reasonable steps have been taken to recover
- All debts written off must be disclosed as a note in Annual Financial Statements
ACCOUNTING OFFICER

Responsibility with respect to Assets and Liabilities Transfers

- When assets or liabilities of a department are transferred to another department
  - draw up an inventory of such assets and liabilities
  - provide the accounting officer for the receiving department or other institution with substantiating records, including personnel records of staff to be transferred
  - sign the inventory when the transfer takes place
  - file a copy of the signed inventory with the treasury and the Auditor-General within 14 days of the transfer
ACCOUNTING OFFICER

Responsibility for Cash Management:

- Framework issued by National Treasury in terms of the PFMA
- Framework deals with a whole host of issues
  - Deposits into revenue funds
  - Withdrawals from and investment of funds
  - Surrender of surplus funds
- Establish processes for efficient and effective cash management
- CFO must monitor cash management on a regular basis and report monthly to the Accounting Officer
- Treasury must report monthly to Minister on its Revenue Fund
ACCOUNTING OFFICER

Responsibility for Finance Management:

- The executive authority of a provincial department may not issue a guarantee, security of indemnity except with written approval of MEC for Finance

- Accounting Officer must ensure that no official borrow money on behalf of the department

- Should the Accounting Officer be responsible for transgressions with regard to borrowings the treasury must initiate misconduct proceedings on its Revenue Fund
Responsibility for Losses and Claims:

- Complexities are taken out of the prescripts
- Deal with losses without referral to Treasury
- Losses or damages for which an official is liable must be recovered
- Debts arising from losses and claims must be dealt with in terms of chapter on Management of Debtors
ACCOUNTING OFFICER

Responsibility for Public Private Partnership:

- Private party perform departmental function on behalf of department
- Conduct a feasibility study
- Obtain National Treasury approval
- Ensure that a PPP agreement is properly enforced
ACCOUNTING OFFICER

Responsibility with respect to Reporting

- Keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards
- Prepare financial statements for each financial year in accordance with generally recognized accounting practice
- Submit those financial statements within two months after the end of the financial year
- Submit within five months of the end of a financial year to the treasury and others
  - an annual report on the activities of that department
  - the financial statements for that financial year after those statements have been audited
  - the Auditor-General's report on those statements;
ACCOUNTING OFFICER

Responsibility with respect to Reporting

 Report is on activities of department and must comply with requirements of PFMA

 Comply with requirements prescribed in PSR

 Include information about the institution's efficiency, effectiveness in delivering programs and achieving its objectives

 Report on the use of foreign aid assistance

 Information on transfer payments per organisation including compliance with sec 38(1)(j)) of the Act
ACCOUNTING OFFICER

Performance Evaluation:

- Establish procedures for quarterly reporting
- Quarterly reporting to Executive Authority
- Must form the basis for report of the institution in the annual report
RISK MANAGEMENT - STRUCTURES

- **PFMA** – legislation and responsibilities
- **Inter-governmental Fiscal Relations Act** – budgetary forums and structures
- **King Code of Corporate Governance** – management and decision-making processes
- **Public Sector Code of Conduct** – conduct and responsibility for risk
PFMA – RISK MANAGEMENT

- Section 38 (a) (i) & Section 51 (a) (i) of the PFMA – need for Accounting Officer & Authorities of department, trading entity or constitutional institution have and maintain effective, efficient and transparent systems of financial and risk management and internal control.

- Section 6 (2) (a) of the PFMA – National Treasury norms and standards

- Chapter 4 and 8 of the PFMA - financial planning, expenditure and liability management
FINANCIAL MISCONDUCT

- An accounting officer commits an act of financial misconduct if that accounting officer willfully or negligently
  - fails to comply with a requirement of section 38, 39, 40, 41 or 42; or
  - makes or permits an unauthorised expenditure, an irregular expenditure or a fruitless and wasteful expenditure.

- An official of a department to whom a power or duty is assigned in terms of section 44 commits an act of financial misconduct if that official willfully or negligently fails to exercise that power or perform that duty.