Press Statement on new treasury regulations

Far-reaching new Treasury regulations aimed to boost financial and management competence in Government and to combat corruption are published in the Government Gazette today.

The Public Finance Management Act came into effect on 1 April 2000. The The new regulations, published in terms of this Act, come into effect today (1 June), and replaces volumes of old treasury instructions in terms of the old Exchequer Act. The

The new rules will apply to all government departments and trading entities in the national and provincial spheres. They also apply to constitutional institutions like the Office of the Public Protector, FFC, Human Rights Commission, IEC etc. They are available on the Ministry's web site at www.finance.gov.za/pfma or from the Government Printer.

The new regulations introduce modern forms of financial management widely accepted in the private sector. These include the appointment of chief financial officers to help accounting officers in managing their finances, as well as the setting up of internal controls like audit committees and internal audit units. These committees will work closely with the Office of the Auditor-General, and are intended to pick up financial problems or corruptive practices during a financial year, rather than waiting until after the audit.
All departments must now establish these audit committees and internal audit units, which must be independent and have full access to information. They are meant to be tools to help the head of the department avoid getting into trouble.

A second feature of the new regulations is that they put forward a vision for better coordination between budgeting and planning. In other words, departments will now have to account for *how* they spend money as well as how much they spend. The country's resources are limited and our people's needs are great. We need to ensure that every cent is wisely spent, and that services budgeted for actually get delivered.

The co-ordination between budgeting and planning will be phased in over the next two years, and will include strategic planning and performance measurements of all the activities of government departments.

The third feature of the regulations is that it compels accounting officers to pay their statutory payments (e.g. taxes and audit fees) and to pay all accounts within 30 days of receiving a statement unless otherwise agreed. This provision should help the many small contractors and businesses who in the past suffered severe financial prejudice from not being paid timeously.

There will be strict sanctions for not complying with the new regulations. Heads of department and officials not complying can face sanctions ranging from financial misconduct disciplinary charges, which may result in dismissal, to criminal convictions in the case of gross negligence. The regulations build on the new disciplinary procedures in the public service regulations, which allow for a quicker resolution of disciplinary measures. These will also be de-linked from any criminal proceedings, which usually take much longer.

Unauthorized borrowing like that of the Mpumalanga case (where promissory notes were illegally issued in 1998, allegedly by Mr Alan Gray) is also strictly illegal, with harsh criminal sanctions facing any person responsible, be they officials, politicians or MECs, as well as any other person outside the public sector.

Heads of department have more flexibility, but also more responsibilities. They are responsible for managing their own budgets and can write off debts and manage their own losses. Clearer responsibility lines between accounting officers and the treasuries will facilitate better accountability in the public sector. This is unlike the previous legal regime, where the head of a department could always shift responsibility for actions to treasury officials (sometimes junior ones), who wrote off debts and losses for the accounting officer.

The Act and regulations set very high standards, comparable with international best practices. Whilst many of the provisions apply immediately, it will take two to three years for the public to notice big, qualitative improvements in management. The Act means that the public sector will have to bring in better skills, more training and more modern systems of operation. Government faces huge challenges in implementing the Act. However it has demonstrated its commitment to clean and effective government by the introduction of the Act and these regulations. It is committed to devoting the next two to three years to making the Act effective throughout its ranks.
The new regulations have been finalized after public comments were taken into account after the publication of draft regulations in May. The Parliamentary standing committee of public accounts and NCOP finance committee also submitted their comments during meetings with treasury officials.

The regulations do not affect public entities, for which a different gazette will apply. These draft treasury regulations will be gazetted next week for public comment, and expected to take effect on 1 August 2000.