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'Guide for Accounting Officers' PFMA

The National Treasury is today releasing the *'Guide for Accounting Officers'*, a publication designed to assist those charged with the responsibility for implementing the Public Finance Management Act (PFMA).

The PFMA is a key element in a set of reforms to the management of government finances. These reforms began soon after the 1994 elections with the introduction of new intergovernmental financial arrangements and multi-year budgeting (the Medium-term Expenditure Framework). The adoption and implementation of the PFMA is the second phase of reform, and the key objective is to modernise financial management and enhance accountability. Further reforms will include the introduction of service delivery indicators, performance budgets and generally recognised accounting practice (GRAP).

The *Guide* is being distributed to the Accounting Officer of every National and Provincial Department, and focuses on how accounting officers can implement the PFMA. It prioritises the practical short-term issues to be dealt with as Departments embark on the process of implementing the Act.

The national Treasury recognises the demands the Act places on accounting officers, and also that complete implementation of the Act will take several years. However, significant improvements can and must be achieved over the next 12 months, and the *Guide* focuses on the seven most urgent steps necessary to tackle matters that have previously been neglected. These are:-

- **In-year management, monitoring and reporting**

Accounting officers must monitor progress on the department's operational plan (including the budget). While systems and processes exist to monitor monthly budgetary performance, accounting officers will need to scrutinise these reports on the basis of the advice provided by the person appointed as the CFO. These reports should enable the accounting officer to identify any potential under or over spending.

The quality of the information available depends crucially on the accuracy and timeliness of the data entered into the various systems, and this will improve only when accounting officers and CFOs actively scrutinise the reports produced.

- **Establish effective internal controls**

Accounting officers must prioritise the setting up of audit committees and internal audit units, in line with modern practice. They must evaluate whether the 'blanket' controls are appropriate to their particular circumstances, by assessing the risks facing their department.

- **Improve expenditure management and transfers**

The PFMA must be read in conjunction with the *Division of Revenue Act*, in particular with its reporting requirements. These new arrangements will assist accounting officers to resolve problems with conditional grants

The PFMA also requires that, unless otherwise contracted, payments be made within 30 days of receiving a suppliers invoice. This will ensure that Departments do not conceal liabilities, and will bring certainty to creditors, especially SMMEs.

- **Clear up audit queries**

Accounting officers must take personal responsibility to address any outstanding queries raised by the Auditor-General or audit committee, or face strong sanctions.

- **Banking arrangements**

Accounting officers must take full responsibility for ensuring that all revenue received by their department is deposited only in the relevant revenue fund, and that all suspense accounts are allocated to the relevant cost centres each month.

- **Complete financial statements on time**

The Act requires annual financial statements to be submitted to the Auditor-General within two months of the year-end, and this will be difficult to achieve unless the routine month-end procedures are completed systematically during the year.

- **Delegation of responsibilities**

New delegations of financial responsibilities are necessary to spread responsibility to all senior managers.

Addressing these seven priorities will enable accounting officers to manage their departments more effectively, and will lay the basis for improved service delivery.

Chapter 2 of the *'Guide for Accounting Officers'* sets out the long term vision behind the drafting of the Act, and recognises that many of its implications are not purely technical, but will require all stakeholders - particularly accounting officers - to alter their ways of working. The basic principle of the PFMA is that managers must be given the flexibility to manage, within a framework that satisfies the constitutional requirements of transparency and accountability. The traditional 'micro-control by the Treasury' approach has been replaced by the specification of minimum requirements (exemplified in best practice guidelines) thus giving accounting officers significant powers to manage their budgets and achieve defined outputs. Managers must then be held accountable for the services they deliver, and Chapter 2 of the *Guide* explores the respective roles of the Standing Committee on Public Accounts, the Auditor-General and Executive Authorities in the accountability chain.

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