

**THE DEVELOPMENT OF A FRAMEWORK
FOR FUTURE TRAINING IN
GOVERNMENTAL FINANCIAL MANAGEMENT**

Institute for Public Finance and Auditing

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Contents

Executive Summary

- 1 Introduction: The need for a ‘Training Framework’**
- 2 Elements of a Training Framework**
- 3 Sample Survey**
- 4 Future Demand**
- 5 A Validation Mechanism**
- 6 A Forum for Providers**
- 7 A Way Forward**

Appendices

- A IPFA Qualifications**
- B The Questionnaire**
- C Report on Testing of Questionnaire**
- D Full Analysis of Questionnaire Results**
- E Numerical analysis of results, including ‘Not applicable’**
- F Numerical analysis of results, excluding ‘Not applicable’**
- G Competence gaps: Outcomes and Embedded Knowledge**
- H Cross analysis of Questionnaire**
- I Validation Instrument**

Abbreviations

AAT	Association of Accounting Technicians
CBET	Competence-Based Education and Training
FMS	Financial Management System
GRAP	Generally Recognised Accounting Practice
IPFA	Institute for Public Finance and Auditing
MTEF	Medium Term Expenditure Framework
NQF	National Qualifications Framework
PERSAL	Personnel and Salary System
PFMA	Public Finance Management Act
SAICA	South African Institute of Chartered Accountants
SAMDI	South African Management Development Institute
SAQA	South African Qualifications Authority

EXECUTIVE SUMMARY

Introduction

Currently, departments spend significant amounts of money on training for finance officials. In some respects, this training is ‘supply’ driven, and the real needs may not be addressed, resulting in a lack of ‘value for money’ for government. The introduction of the Public Finance Management Act has intensified the already high demand for financial training for public servants, of whom there are approximately 7 000 in ‘real’ finance posts, with more than 30 000 other officials linked in some manner to the financial processes of government.

To ensure that these issues could be addressed in a coherent manner, the national Treasury commissioned IPFA to compile a ‘Training Framework’.

Establishing training priorities

In 1998, a major ‘Assessment of Training Needs’ of the financial staff in national and provincial governments defined the levels of competence at which they should be expected to perform. This work formed the basis for the qualifications recorded by IPFA on the SAQA framework. However, the actual ‘gaps’ between these ‘desired’ levels of competence and those that existed were not identified. If limited training resources are to be targeted on priority areas, it is necessary to establish the nature of these gaps, and hence development of the training framework began with a sample survey to collect this data.

The survey categorized staff into three groupings: ‘senior management’ (Chief Directors and Directors), ‘middle management’ (Deputy and Assistant Directors), and ‘lower grades’ (all other staff). A self-assessment questionnaire was tested, then distributed to five national and thirteen provincial departments. 442 responses were received – almost 7% of finance officials – which is statistically representative of the entire population. For each group, three perspectives on training needs were derived from analysing these responses. Differences in competence levels between staff in national and provincial departments, and also between treasury officials and those placed in the finance branches of line departments were also identified.

As will be seen in the body of the report, the data reveals significant competence ‘gaps’ in each group, although the ‘middle management’ group is of particular concern, as many financial and

supervisory activities are located at this level. The senior and middle management groups display weaknesses in the technical competences, especially in costing, budgeting and procurement, while those in the lower grades lack any sort of ‘big picture’ understanding of public finance: this must have a negative effect on morale, and therefore on productivity.

The survey also gathered information on attitudes – the ‘soft’ issues. As might be expected, these attitudes cover a wide variety of outlooks, and are a valuable source of data for management as they deal with the staffing issues that so critically influence the productivity of a department.

The report distinguishes between short- and long-term training needs. Short-term needs are loosely defined as those of existing staff (which are most likely to be met by ‘short courses’ or other similar interventions), while long-term needs will largely be addressed by specifying recruitment criteria for new entrants, as these will be incorporated into the design of the formal programmes offered by tertiary and similar institutions.

Future demand for training

As a basis for predicting the ongoing demand for ‘formal’ education programmes, an exercise was undertaken to examine the age profiles and turnover rates of finance staff. While turnover rates were lower than might have been anticipated, the fact that over 30% of the senior management group is above the age of 50 implies that there will be many promotion opportunities for those currently below them. However, the competence deficiencies identified in the middle management group suggest that a choice must be made: either a significant investment is required to train the current group of Deputy and Assistant Directors, possibly through the equivalent of the Competence-Based Education and Training (CBET) Accounting Technician programme, or, alternatively ‘ready made’ replacements must be recruited from outside the public service (the reverse of the usual position), with all the concomitant costs.

A validation mechanism

While “quality control” over tertiary institutions (the long-term training need) is exercised through processes such as those of IPFA and SAQA, a mechanism to ‘accredit’ or ‘validate’ short-term training programmes will address the coordination and quality issues which surround the programmes currently available to existing employees.

The aims of a validation mechanism for short-term financial training are to coordinate activities and to advise departments of relevant programmes which target identified needs and are delivered to a suitable quality. The focus is on 'short courses', and the mechanism may prove to be a temporary measure, in place only until other processes (such as those of SAQA) become fully operational. The approach will be constructive and will not interfere with departmental independence.

It is recommended that a small 'Validation Board' be appointed to perform this function. This board will have clear Terms of Reference, be accountable to the national Treasury, and will probably be composed of a small number of officials from Treasury and SAMDI.

Communication with training providers

A workshop was held with training providers in April, to share the preliminary findings of the survey of competence gaps, and to receive inputs on the proposed validation mechanism and process. The many constructive comments made by providers have been incorporated in revised documentation, which will be distributed as soon as the process has been agreed by national Treasury.

Further workshops will be convened as and when stakeholders believe them to be useful, or when there are significant developments (such as the impending reforms to the procurement process).

Conclusion and recommendations

This final section of the report charts a way forward in terms of the steps to be taken, and suggests a timescale for actions. Recommendations are made in relation to:

- ?? **A series of 'policy matters':** human resource management issues (such as the lack of supervisory skills), and cross cutting issues, such as procurement, where major reforms are imminent and all three staff groupings appear to lack competence;
- ?? **Addressing the training priorities identified for each group:** including a focus on the CBET Accounting Technician programme for middle management, consideration of delivery options such as the development of modular 'short courses'; the development and circulation of learning materials, and access to a 'learning resource centre' on the national Treasury web-site;
- ?? **Establishing a Validation mechanism and process;** the rapid operation of a simple process to ensure that resources are focussed on the prioritised needs;
- ?? **Continuing to develop a providers forum:** ensuring that government regularly communicates agreed priorities to training providers.

1 INTRODUCTION: THE NEED FOR A TRAINING FRAMEWORK

The passing of the Public Finance Management Act represents a fundamental change in the approach to the handling of public finances, as it shifts the emphasis away from a highly centralised system of expenditure control by treasuries, and places the accountability for resources used in delivering services to communities in the hands of the Head of the Department concerned. Such a substantial change – which will also (eventually) alter the accounting base from cash to accruals – will create significant new training needs for finance staff, over and above those that may already have been identified.

Currently, government departments spend significant amounts of money on training activities for finance officials, although these may not meet the real, prioritised needs which exist, and there is very little – if any - co-ordination of training efforts. Three major reasons may be identified for this situation:

- ?? firstly, providers are operating in an increasingly commercialised environment and are driven to (opportunistically) offer programmes using materials and facilitators of (at best) variable quality on matters they perceive to be topical;
- ?? secondly, it is partly government's own fault, as it has failed to give any clear direction to providers about the training priorities it wishes to see addressed; and
- ?? thirdly, officials choose to go or are sent on inappropriate courses, as managers feel a desperate need to do 'something' to improve performance.

The result is that in many respects, training is 'supply' driven, and hence there is a lack of 'value for money' for government. This issue must be addressed in a coherent manner, as the introduction of the PFMA will intensify the already high demand for the training of finance (and for that matter, 'non-financial') officials.

Training needs are diverse, and not all are associated with the PFMA: anecdotal evidence suggests that many finance staff are currently ill-equipped to perform the tasks expected of them, either in respect of 'generic' processes (for example, the ability to perform bank reconciliations) or in the operation of specific systems (such as FMS). In order to be effective, these needs must be tackled in a coherent manner.

Hence a strategic framework is necessary to address the short-term training priorities in the broader context of a 'manpower plan' for the finance disciplines in government, which will cover several years into the future. Such a training framework requires that a number of questions be answered, including:

- ?? who is to be trained? (what is the size and composition of the target audience);
- ?? what is the desired outcome to be achieved? (the required level of performance);
- ?? where is the target audience starting from? (what is the present level of performance);
- ?? what is the content of training to be delivered? (what is necessary to move from 'present' to 'required' performance);
- ?? which areas are priorities? (given that resources are finite)
- ?? who will deliver the training? (which service providers are appropriate);
- ?? how will training be delivered? (what is the appropriate delivery channel); and
- ?? how is the effectiveness of the training to be assessed?

The next section of this document addresses each of these questions, although it should be noted that they are not necessarily discrete.

2 ELEMENTS OF A TRAINING FRAMEWORK

2.1 Introduction

Given the considerable and diverse training needs of government financial staff, it is necessary to develop a strategic framework to ensure that they can be addressed in a coherent and effective manner.

This section of the report considers the elements of a training framework in the broader context of a 'manpower plan' for the finance disciplines in government. While this will cover several years into the future, the emphasis is on dealing with short-term training priorities.

2.2 The target audience

At present, there are approximately 7 000 officials in 'real' finance posts. However, the needs of the 40 000 public servants linked in some manner to the financial processes of government or holding resource management responsibilities must also be considered. The make up of these figures is show in the tables below.

Table 1: Composition of finance staff

National Departments		2 780
Provincial Departments		
Gauteng	587	
Kwazulu-Natal	445	
Mpumalanga	366	
North West	423	
Northern Cape	106	
Northern Province	693	
Western Cape	273	
Eastern Cape	779	
Free State	452	
Total Provinces		4 124
Total		6 904

Source: PERSAL database, February 2001

Table 2: Officials with financial responsibilities

	Acc & fin admin	Personnel admin	Provisioning admin	Managers	TOTAL
National	2 780	2 453	3 576	6 515	15 324
Provincial	4 124	4 603	4 226	10 939	23 787
Total	6 904	7 056	7 802	17 454	39 216

Source: PERSAL database, February 2001

In addition, to the staff currently employed, Government is continually recruiting staff. In this process, the level of (education and) training sought from recruits can be specified. For this reason, the necessary knowledge and competence required from future employees will normally have been acquired through formal / structured post school educational programmes. Such programmes can range from national certificates to post-graduate studies (but can also include competency-based education and training programmes), depending on the level of performance required.

If, for example, it is assumed that GRAP is to be introduced in, say, 2003, then recruitment requirements can be adjusted to ensure that new entrants have acquired the necessary background *before* that time.

2.3 The ‘desired’ level of performance

In 1998, the (then) Department of State Expenditure and IPFA jointly commissioned external consultants to conduct a major ‘Assessment of Training Needs’ (TNA) of the financial staff in national and provincial governments. The TNA considered the applicability of the different levels (or tiers) of competence that emerged from the ‘Future of Accountancy Education in South Africa’ project to Public Sector finance staff. The methodology used a large number of focus groups of staff at different levels, as well as supervisors, drawn from the (then) five occupational classes of staff. These groups were tasked to evaluate the extent to which the competencies specified by the South African Institute of Chartered Accountants and the Association of Accounting Technicians (a UK body, active in the competence-based education field since the 1980’s) were relevant to staff in the public service.

The product of this exercise was the definition of desired (generic) levels of accounting competence, although at the upper tiers, some specific public sector issues (for example, government budgetary processes) were ignored. The application of these 'ideal' standards of competence to staff in national and provincial governments subsequently became the basis of the four qualifications recorded by the Institute for Public Finance and Auditing on the SAQA framework, (these do include government-specific content): the qualifications are set out in *Appendix A*.

The TNA also surveyed providers of accountancy education and training, and gathered data by the name of courses offered. With the benefit of hindsight, it would have been more useful to survey 'outcomes to be achieved', which would have allowed a matching of courses to the competencies defined in the first part of the exercise.

2.4 Present levels of competence

Perhaps the major limitation of the TNA exercise was a failure to identify the actual 'gaps' between the existing competence levels of staff and those 'desired'. While it is generally acknowledged that many finance staff are less than fully competent, the deficiencies are known anecdotally rather than with precision in terms both of particular competencies (for example, the ability to perform a bank reconciliation) or the numbers affected (it is unlikely that all 7 000 finance staff need to learn how to perform a specific task). In other words, there is no baseline data about the current level of competence of finance staff. This baseline must be established if needs are to be prioritised and appropriate training delivered. Without this 'targeting', resources will be wasted through a 'shotgun' approach of putting entire categories of people through a 'standard' programme.

2.5 Content of training

Content of training programmes will be determined to a large extent when the 'baseline' mentioned above is established, and also by considering the two distinct aspects of training needs which arise from the PFMA. These are:

- ?? firstly, in relation to the need for familiarisation with the content of the Act and associated Regulations, and in the operation of those elements which have already taken effect – this is

essentially a short-term requirement, although there is considerable evidence that large numbers of officials remain to be exposed to the Act;

?? secondly, (and much more significantly) in relation to the changes stemming from the implementation of the provisions of the Act over the longer term, for example, the introduction of the 'accruals' basis of accounting, and the timely publication of consolidated financial reports and performance information – this will be an ongoing need for existing staff for many years.

The short-term requirements are for 'awareness' training surrounding the Act, and this is relevant for all managers and financial staff, followed by 'Best Practice' issues (for example, 'In-year Monitoring and Reporting'). These requirements can be addressed through day-long workshops and 'short courses'. However, in the light of the concerns expressed above, it will be necessary to ensure that such training takes place within an approved framework.

The 'deeper' and longer-term training needs are related to the full implementation of the Act (for example, around the introduction of 'accrual' accounting), and these are more likely to be addressed via formal education programmes. As implementation of the Act will be phased over several years, there is a need for clarity on the phasing of changes, to ensure that there is sufficient lead-time to adjust curricula in line with new priorities.

2.6 Training priorities

There will always be limits to the quantum of resources available for training. Hence it will be necessary to prioritise both in terms of competences to be addressed and (individual or groups of) staff to be trained. Again, the 'baseline' work mentioned in 2.4 will be crucial in answering this question.

2.7 Overview of existing training providers

There are numerous providers of financial training operating in the market. To a certain extent, providers can be differentiated between those addressing future training needs (new entrants /

recruits to the Public Sector) and those that cater for the short-term training needs of existing public servants. However, some providers deal with both groups.

2.7.1 Providers addressing future needs

Providers catering for new recruits to the Public Sector (i.e. imparting the knowledge which underlies the relevant skills and competence) include Universities; Technikons; Technical Colleges, and private sector institutions (such as Atcor, Millenium 2000, etc.). These longer-term training needs will mostly be catered for by providers offering formal programmes which lead to the IPFA qualifications recorded on the National Qualifications Framework (NQF), and set out in **Appendix A**.

A number of discussions have taken place between IPFA and providers in this category, and as a result, work to modify curricula and develop new options for formal academic courses is underway.

It should be noted that the knowledge gained from tertiary education will need to be supplemented by properly structured learnership /mentorship /article programmes, to ensure that the necessary competencies are developed through work experience. IPFA will perform the role of “Quality Assurer” in accrediting both aspects of these programmes.

In addition to new recruits, some existing staff may also undertake formal programmes (perhaps by distance learning), and hence their needs will be addressed through this mechanism.

2.7.2 Providers catering for short-term needs

Probably the most pressing need is to coordinate and validate programmes being delivered and developed to meet the needs of existing employees (i.e. ‘short courses’). In addition to the competence ‘gaps’ mentioned above, the short-term PFMA training programmes will target existing public servants, and providers in this category include: SAMDI, tertiary institutions, large auditing firms such as KPMG, Deloitte & Touche, and institutes such as SAIGA, IPFA, etc.

In addition to attending courses, employees benefit from ‘on-the-job’ training. In government, the responsibility for on-the-job training resides with Departmental Accountants / Financial Managers. Financial components of all departments should ideally have written on-the-job training policies that give guidance to supervisors and instruct new employees in the performance of their tasks. This is also an acceptable means to train officials in new developments such as the PFMA and new systems (when they are introduced).

2.8 Methods of Delivery

The appropriate 'delivery channel' for training can only be determined once target groups have been identified and the level of competence to be achieved determined. Hence for example, should existing senior staff need to develop a 'level 1' competence related to performance indicators, time constraints may determine that this will have to be addressed by a day-long workshop supported by material available via the Treasury intranet. However, a similar need for more junior staff may be met by attendance on a two-week course that also covers a range of other material.

2.9 Impact of training

Ideally, the impact of training ought to be demonstrated by improved performance in the workplace. At present in the public service, this is seldom assessed in any formal manner. In future, this process may have to become formalised to comply with the requirements of the Skills Development Act, and will need further consideration as a policy matter.

2.10 Summary

In order to address the questions posed above, the national Treasury commissioned IPFA to compile a 'Training Framework', based on the completion of four tasks:-

- ?? A survey, to identify competence gaps;
- ?? A model to predict the future demand for training;
- ?? Establishment and operation of a 'validation mechanism';
- ?? Establishing a Forum to communicate with providers.

Subsequent sections of this report set out the work completed under each of these headings

3 SAMPLE SURVEY

3.1 Establishing existing levels of competence

The 1998 TNA exercise established the ‘ideal’ competences required by different grades of finance staff. However, while there is much anecdotal evidence of current weaknesses in financial management throughout government, there are few specific facts about ‘topics’ or priority areas. A key element in developing an effective training strategy is the establishment of a precise starting point, by identifying the real gaps in competence of existing staff.

3.2 Survey of competence gaps

As it would be time consuming and costly to capture the views of all 6 904 finance staff in national and provincial departments, a sampling exercise was undertaken to provide the necessary baseline data about existing levels of competence. The survey was conducted using a questionnaire, which was deemed to be the most cost-effective instrument available.

The questionnaire was based on the competencies defined in the IPFA qualifications (and recorded on the SAQA framework), and these focus on accountancy: hence management areas were not specifically included. The approach was to use ‘forced choice categorized data design’ for most questions, as the aim was to assess the extent to which participants believed they possessed the knowledge and skills necessary to perform their duties.

The questionnaire was arranged in five sections, and was amended slightly to allow for the different job requirements and expectations of officials operating at senior management (defined as Chief Directors and Directors), middle management (defined as Deputy and Assistant Directors), and lower levels (other staff). A sample questionnaire is shown as *Appendix B*, but in summary, the six sections were designed to gather information from participants about:

- A. Themselves;
- B. Their current job;

- C. Their own assessment of their level of competence (with different questions posed to the three groups of staff);
- D. Their underlying knowledge (again, questions varied slightly between the three groups of staff)
- E. Previous training programmes completed;
- F. Their view of the future.

In order to test that the questionnaire was sufficiently ‘user-friendly’, a series of face-to-face interviews were conducted in four departments, involving staff in each of the three groups surveyed.

The purpose of this testing was to:

- ?? Determine if respondents were able to understand the questions;
- ?? Identify difficulties in interpreting the questions;
- ?? Determine if the questionnaire could be completed in 30 minutes;
- ?? Determine if the ‘data categorisation’ method (rather than, for example, a scale system to assess perception) was appropriate.

A report on this testing appears as *Appendix C*. Respondents confirmed that the questionnaire was both fair and understandable. Furthermore, they indicated that given the many changes in managing government finances, research in this area was long overdue.

Table 3: Testing the Questionnaire (by Interviews)

DEPARTMENT	Senior Management	Middle management	Lower grades	Total
1. Statistics South Africa	1	3	3	7
2. Department of Health	1	3	4	8
3. Department of Foreign Affairs	1	2	4	7
4. W Cape Dept. Finance	1	2	2	5
TOTAL	4	10	13	27

It should be noted that the subsequent analysis includes these results with those obtained from the returned questionnaires.

Having determined that the questionnaire was workable, over 800 copies were distributed via the 'Financial Practitioners Forum' network, to five national and thirteen provincial departments. 442 responses were received, as shown in the table below:

Table 4: Respondents to the Questionnaire

DEPARTMENT		Senior Management	Middle Management	Lower grades	TOTAL
1	SANDF	4	8	18	30
2	Public Works	4	1	6	11
3	Correctional Services	2	6	23	31
4	Justice	2	1	28	31
5	National Treasury	4	1	6	11
6	Free State Dept. Finance	1	7	18	26
7	N Province Dept. Finance	4	14	26	44
8	Free State Dept. Health	4	8	21	33
9	KZN Dept. Finance	3	6	16	25
10	Free State Dept. Education	2	7	12	21
11	N. Cape Dept. Finance	3	3	43	49
12	N West Dept. Public Works	1	3	5	9
13	N Cape Dept. Education	1	1	10	12
14	W Cape Dept. Education	2	2	11	15
15	E Cape Dept. Finance	2	17	16	35
16	Gauteng Dept. Education	1	20	9	30
17	Mpumalanga Dept. Education	0	2	12	14
18	E Cape Dept. Health	0	0	14	14
Sub Total National		16	17	91	124
Sub Total Provincial		24	90	204	318
TOTAL		40	107	295	442

This level of response may be considered as representative of the entire population of finance staff according to D.J. Stoker (1981, "*Sampling in practice*": University of Pretoria, New Edition no. 178), who states that a sample of 371 will be representative of a population of 6 904.

Overall, a sample of almost 7% of the population was achieved, and this is deemed a reasonable basis from which to draw meaningful deductions. The respondents can also be broken down by category, as shown in table 5, below:

Table 5: Respondents by category

	Responses			Population	%
	Pilot	Ques'naire	Total		
Senior management	4	40	44	98	44,9
Middle management	10	107	117	447	26,2
Lower grades	13	295	308	6 359	4,8
Total	27	442	469	6 904	6,8

3.3 Survey results

3.3.1 Analysis and interpretation

3.3.1.1 Approach

The questionnaires have been analysed separately for each of the three groups of staff: senior management, middle management and lower grades. The full results are shown as *Appendix D*, while numerical analyses of the percentage responses to the self-assessment elements (competence and underlying knowledge) appear at *Appendices E & F*.

For each group of staff, three different perspectives on training needs are given:

- ?? major competence gaps;
- ?? areas with a lack of 'underlying knowledge';
- ?? topics identified by respondents as relevant to their own needs (based on an open-ended question).

For presentation purposes, the competence gaps are grouped in the sequence of topics in the *Treasury Regulations*, and to assist providers in designing suitable programmes, *Appendix G* lists the outcomes and embedded knowledge for the relevant competences: full details (including 'performance criteria') are available on the IPFA website.

3.3.1.2 Competence gaps

In assessing the ‘gaps’ (section C in the questionnaire), the general approach has been to identify priorities for training as those competences where a large proportion of staff believe that they are operating at an inappropriate level (this approach to some extent counters the in-built risk of bias occurring should respondents over-estimate their level of performance). For example, 30% of senior managers claim no more than an “understanding” of risk assessment techniques: i.e. to be operating at ‘level 1’, when ‘level 2’ – or even ‘level 3’ – would be expected.

In addition to the three levels of performance defined in the questionnaire, **Appendix E** shows a column of ‘Not applicable’ responses. The data was further analysed to exclude these items, in order to focus on priority areas.

A second-phase analysis compared differences in competence levels between staff in national and provincial departments, and also to compare treasury officials and those placed in the finance branches of line departments: these appear at **Appendix H**.

3.3.1.3 Underlying knowledge

When examining the ‘underlying knowledge’ responses (section D in the questionnaire), training priorities are assumed to lie in those areas where a significant proportion of participants claim “no knowledge” of a particular topic (for example, 46% of lower grade staff claiming to have “no knowledge” of the financial sections of the Constitution). In other words, knowledge gained either informally (obtained for example, by reading an article), or through a formal educational process (such as attending a course) was deemed acceptable.

3.3.1.4 ‘Own needs’

Respondents were also asked to indicate those ‘topic’ areas where they felt training would be of the greatest benefit to improving their work performance. However, due to the open-ended nature of this question, the responses may be subject to a variety of interpretations (for example, ‘financial management’ is too imprecise to assist the targeting of training).

3.3.1.5 ‘Soft’ issues

Following the three perspectives on training needs for each group of staff, an analysis of the responses to the ‘soft’ issues (section F in the questionnaire) is provided.

3.3.2 Senior management

3.3.2.1 Introduction

Most of the newly appointed 'Chief Financial Officer's have been graded as Chief Directors and Directors, and these are the ranks which comprise the Senior management group in this survey. Hence a high level of performance was anticipated, particularly in the financial competencies, where 'level 3' would be expected to meet the requirements of the IPFA Tier 1 qualification (benchmarked with a 'Chartered Accountant').

3.3.2.2 Major competence gaps

It was surprising to see the number of technical weaknesses revealed. A specific concern was the lack of 'costing' expertise, where there was very little evidence of competence.

The points below indicate the areas of competence where significant weaknesses were noted:

Strategic Planning – Evaluation of performance

- ?? Generate and interpret performance indicators;
- ?? Determine and explain performance measurement strategies and techniques;
- ?? Managing accounting information systems;
- ?? Participate in the management and maintenance of information systems;
- ?? Appreciate the uses and limitations of published statistics.

Budgeting and related matters

- ?? Use models to assess the sensitivity of elements in the cash budget;
- ?? Advise on and evaluate cost classification, behaviour and allocation methods;
- ?? Analyse usage and price variances;
- ?? Establish procedures for standard costing systems;
- ?? Interpret cost data, including the use of overhead rates;
- ?? Use marginal costing in formulating pricing policies;
- ?? Appreciate 'activity-based costing' and the use of cost drivers.
- ?? Evaluate current and proposed activities, using methods e.g. pay-back & DCF.

Revenue and Expenditure Management

- ?? Procurement: Review vendor performance;
- ?? Manage procurement contingencies;

?? Investigate alternative vendors or products to improve cost, quality and delivery ratios;

?? Understand 'value chain' concepts and the principles of 'just in time' procurement.

Asset and Liability Management

?? Advise on working capital policy and the management of debtors and creditors.

Banking and cash management

?? Operate a cash management and credit control system.

Accounting and reporting requirements

?? Be aware of the principles of 'GAAP/GRAP';

?? Public sector financial statements;

?? Prepare, analyse and interpret financial reports and statements;

?? Calculate and interpret accounting ratios;

?? Appreciate the limitations of accounting data as a basis for management action;

?? Use techniques e.g. time series and index numbers to interpret accounting data.

Internal Control and Auditing

?? Determine and explain risk assessment techniques;

?? Understand control principles, such as separation of functions, etc.;

?? Record and evaluate systems using symbols, flowcharts, ICQs, checklists, etc.;

?? Use auditing techniques in an IT environment;

?? Understand the procedures for obtaining audit evidence;

?? Understand the process of reporting audit findings.

Basic workplace skills:

?? Produce spreadsheets for the analysis of numerical information;

?? Present information in graphical, diagrammatic or tabular formats.

3.3.2.3 No 'underlying knowledge'

There were relatively few areas where deficiencies were significant. The main points were:

?? Programme-setting processes;

?? Commercial accounts for public entities;

?? Tools of monetary policy (e.g. interest rates);

?? Tools of fiscal policy (e.g. tax incidence).

2.3.2.4 Own 'needs'

Senior managers identified the following as areas where training would be of immediate benefit in performing their duties:

?? Public Finance Management Act;

?? Treasury regulations;

?? Human resource management.

3.3.3 Middle management

3.3.3.1 Introduction

As this group comprises Deputy and Assistant Directors, the appropriate 'benchmark' is that of the Accounting Technician (Tier 3 in the IPFA qualification). In most cases, 'level 2' would be the anticipated competence.

3.3.3.2 Major competence gaps

Particular concerns revealed by the survey were in respect of 'basic workplace skills', a difficulty in distinguishing between capital and operational expenditure, procurement issues, operating a budgetary control system, understand the role and responsibilities of both the Auditor-General and the internal audit function, as well as all costing matters.

In more detail, priority training areas would be:

Evaluation of performance

?? Generate and interpret performance indicators;

?? Contribute to cost management by 'value analysis' and cost reduction techniques;

?? Appreciate the uses and limitations of published statistics.

Budgeting and related matters

?? Contribute to the planning and allocation of resources;

?? Prepare forecasts of income and expenditure;

?? Produce draft budget proposals;

- ?? Operate budgetary control systems;
- ?? Understand costing concepts and advise on the management of costs;
- ?? Appreciate 'activity-based costing' and the use of cost drivers.

Revenue and Expenditure Management

- ?? Procure goods and services in accordance with PFMA, Tender Board Act, etc.

Accounting and Reporting requirements

- ?? Be aware of the principles of 'GAAP/GRAP';
- ?? Calculate and interpret accounting ratios;
- ?? Appreciate the limitations of accounting data as a basis for management action.

Basic accounting records and related issues

- ?? Distinguish between capital and operational expenditure.

Internal Control and Auditing

- ?? Determine and explain risk assessment techniques;
- ?? Understand control principles, such as separation of functions, etc.;
- ?? Use audit testing techniques, such as vouching, re-performance, confirmation, etc.;
- ?? Understand the responsibilities, functions and qualities of the Auditor-General;
- ?? Understand the role and responsibilities of the internal audit function;
- ?? Understand the procedures for obtaining audit evidence;
- ?? Understand the process of reporting audit findings.

Basic workplace skills

- ?? Produce spreadsheets for the analysis of numerical information;
- ?? Present information in graphical, diagrammatic or tabular formats.

3.3.3.3 No 'underlying knowledge'

The main points of deficiency were:

- ?? Programme-setting processes;

- ?? Reforms in budgeting and budgetary systems;
- ?? Medium-term Expenditure Framework (MTEF);
- ?? Procurement, including statutory tender requirements;
- ?? Project management and project management systems;
- ?? Management Information System (MIS) and formal reporting systems;
- ?? Commercial accounts for public entities;
- ?? Tools of monetary policy (e.g. interest rates);
- ?? Tools of fiscal policy (e.g. tax incidence).

3.3.3.4 Own 'needs'

Middle managers identified the following as areas where training would be of immediate benefit in performing their duties:

- ?? Financial management & administration;
- ?? Management & supervision;
- ?? Public Finance Management Act;
- ?? Project management.

3.3.4 Lower grades

3.3.4.1 Introduction

Expectations of the 'Lower grade' staff were not so high (equivalent to Tier 4 in the IPFA qualification), and this was reflected in the large number of 'Not applicable' responses. However, the lack of knowledge of most of the topics listed in the 'underlying knowledge' section shows that there are considerable training needs to be addressed.

3.3.4.2 Major competence gaps

Areas for attention were as follows:

Self management

- ?? Conduct work in an ethical and professional manner;
- ?? Manage oneself in the workplace;

?? Contribute to the effectiveness of workflow.

Basic workplace skills

- ?? Use calculators and other equipment in processing documents;
- ?? Input information from source documents into a computer system;
- ?? Draft routine business communications.

Bookkeeping

- ?? Make & record payments in accordance with financial policies & regulations;
- ?? Record & accounting for cash & credit transactions;
- ?? Store, retrieve and supply information;
- ?? Maintain financial records and prepare accounts;
- ?? Record cost information;
- ?? Prepare reports and returns.

Auditing

- ?? Understand the responsibilities, functions and qualities of the Auditor-General;
- ?? Understand the role and responsibilities of the internal audit function.

3.3.4.3 No 'underlying knowledge'

The majority of the 'underlying knowledge' topics listed in the questionnaire revealed a lack of either a formal or informal knowledge on the part of respondents. Areas for attention are:

- ?? Government decision-making processes;
- ?? Programme-setting processes;
- ?? Relevant (financial) sections of the Constitution (e.g. S 216);
- ?? Reforms in budgeting and budgetary systems;
- ?? Medium-term Expenditure Framework (MTEF);
- ?? Public sector accountability mechanisms and processes;
- ?? Procurement, including statutory tender requirements;
- ?? Salary and relevant personnel salary systems;
- ?? Management Information System (MIS) and formal reporting systems;

?? Principles of government economic policy.

3.3.4.4 Own 'needs'

This group of staff identified the following as areas where training would be of immediate benefit in performing their duties:

- ?? Financial management;
- ?? Computer literacy;
- ?? Accounting in the public sector;
- ?? Budgeting.

3.4 'Soft' issues

This section deals with the way respondents see their future in the public service.

Question 1: How do you think your role may change over the next two years?

Senior Management	Only 57,5% of respondents completed this part. As 17% of respondents indicated that there will be not many changes in their role over the next two years, the deduction could be made those at managerial level are stable and therefore experience job satisfaction.
Middle management	While 91% of the respondents completed this part, it should be noted that 23% indicated "no comment", 10% indicated "not very much", and 7% indicated that they "don't know". This could indicate that 40% of respondents are not confident or are uncertain about the future. Issues such as the overall reforms taking place in the public sector, promotions, pressures, such as restructuring/re-deployment/career planning within the departments could contribute to this uncertainty. On the other hand, it was also evident that 16% of the respondents anticipated that they would be promoted during the next two years. This is a positive sign, as they have confidence in their career progress and believe that they will become the senior managers of the future.
Lower grades	In terms of lower grades, 88% of respondents completed this part. In this case 27% indicated 'no comment' about changing roles, 11% indicated that there will be no change, 5% are uncertain of their future role and 3% indicated that they would make a career change. This represents 46% of the respondents. In terms of the lower grades, this question cannot be dealt with in isolation. The overall questionnaire and lower grades responses were used to make the following deductions: a) The negative attitude amongst lower grades could be a direct result of training (informal and formal) received.

	<p>b) Lower grades could not clearly indicate what training would allow them to play a meaningful role.</p> <p>c) Lower grades operate in specialized fields and thus are not exposed to the overall spectrum of 'finance'. Therefore they are uncertain about their roles and future in the public sector. On the other hand, 10% indicated that they will be promoted in the next two years and their roles will therefore change. 9% indicated that they want their roles to change so that they become more involved in developmental issues. This is a positive indication that there are officials in the lower grades who are committed to their work and the success of their department.</p>
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Question 2: How would you like to see your career progressing over the next three to five years?

Senior Management	<p>36% of the respondents indicated that they would be promoted in the next three to five years. Based on this input, the deduction could be made that the officials on the managerial level are confident about their career progress and will therefore create a stable managerial environment. Managerial changes create uncertainty and unnecessary pressures on lower grades, as new managers often wish to make changes too rapidly.</p> <p>However, a factor that should be taken into account is that 21% of the respondents indicated that they would further their educational qualification and leave the public sector. This could create a vacuum on this level, but also creates promotion opportunities for other staff.</p>
Middle management	<p>Only 74% of respondents completed this part. In this case, 42% indicated that would be promoted in the next three to five years, which is an indication that they hope career progression will become reality.</p> <p>It should also be noted that 15% and 10% respectively indicated they have no comment and that there is no progression possible in the public sector. This represents 25% of the respondents who are seemingly unhappy about the career paths in the public sector.</p>
Lower grades	<p>88% of the respondents completed this part. 45% indicated that they would be promoted to higher levels in the next three to five years. This contradicts the negative attitude indicated earlier in Question 1, and confirms the deduction made above that lower grades are uncertain about their roles and their future in the public sector.</p> <p>A further confirmation of this uncertainty is that 25% had 'no comment', of which 5% indicated they would make a career change.</p> <p>On the other hand, it should be noted that 22% of the respondents are eager to further their career through training and development.</p>

Question 3: What are the areas you find difficult in carrying out your responsibilities?

Senior Management	Managing people with a diversity of cultural backgrounds Forecasting and projections Control due to a lack of a proper management system Annual budgeting, due to incompetent line managers Expenditure control due to unforeseen pressures from line managers Delegations Interface between political and administrative protocol
Middle Management	Monitoring compliance with standing rules & regulations Change management & conflict handling Reporting process Financial analysis & pattern of expenditure Communication Budget control Supervision of staff Delegations
Lower grades	No assistance from supervisors Writing of reports Preparing tenders Dealing with payment queries Redoing of duplicated budgets Tracking of payments

Matters emerging from the ‘soft issues’

In terms of a volatile environment such as the public service, care should be taken to retain staff as far as possible. There is no sense in training staff at high cost and then loosing them to other institutions or to the private sector.

As a matter of policy, departments may wish to consider:

- ?? Offering training of more than a certain duration only in the form of a bursary.
- ?? Ensuring that all staff – especially lower grades – complete a formal induction programme. This will ensure a uniformly trained workforce, and will strengthen portability between departments.
- ?? Linking the formal training programme to the career path of a candidate.
- ?? Actively marketing career plans throughout the public service, to reduce uncertainty and create a content and productive workforce.

3.5 Summary

It is not surprising that different needs emerge from the three different perspectives on training requirements (major competence gaps; lack of ‘underlying knowledge’; identification of own ‘needs’) shown above, although a number of common threads emerge. These include the lack of technical competence, particularly in relation to costing and budgeting, by the senior and middle management groups, and the lack of any sort of ‘big picture’ amongst lower grades (witnessed by the absence of ‘underlying knowledge’), which must have a negative effect on moral and therefore productivity.

The ‘soft’ issues also reveal areas to be addressed, and recommendations on a ‘way forward’ are contained in section 5 of this report.

4 FUTURE DEMAND

4.1 Introduction

Natural attrition (not to mention restructuring and changes in responsibilities) means that government will be involved in a continuous process of recruiting staff. In some respects, recruitment represents a less direct demand for training, as the process can be used to specify the level of (education and) training that is sought from applicants. Providers such as tertiary institutions will mount the programmes they perceive will meet employers' requirements, and in some cases, must involve stakeholders in curriculum design.

Hence what have been defined as long-term needs are largely covered in this way, although for the benefit of providers, there is a need to quantify the extent of these future demands. Tertiary institutions will be reluctant to develop, for example, specialist courses for Public Sector Financial Officers, if the numbers are too low to make such programmes unviable.

In respect of meeting short-term training priorities, numbers can be extrapolated from the survey, group by group. However, in order to predict the future demand for 'formal' programmes (some of which remain to be developed), an exercise was commenced to build a model using age profiles and turnover rates of existing finance staff. However, deficiencies in the data available, together with uncertainty around the likelihood of expanded establishments as departments comply with the PFMA requirement to appoint a Chief Financial Officer (together with supporting structures) caused considerable problems, and the work was not completed in the manner anticipated. However, a number of observations can be drawn from the available data.

4.2 Age profile of finance staff

The age distribution of respondents to the survey was analysed, and the results are shown in the table below. To look at the total population of finance staff (6 904) data extracted from the PERSAL system would be provide a more precise picture, but attempts to do this remain incomplete. Hence for illustration, the table extrapolates the relative percentages for each of the three groups of staff in the survey to the total population.

Table 6: Age distribution of respondents

AGE GROUPS	61-56	55-51	50- 46	45-41	40-36	35-31	30-26	25-21	20-
Senior Management									
Sample (28)	3	6	5	6	2	5	1	0	0
% of total	10.7	21.4	17.9	21.4	7.1	17.9	3.6	0.0	0.0
Extrapolated to pop	11	21	18	21	7	18	3	0	0
Middle Management									
Sample (74)	2	8	13	17	13	15	6	0	0
% of total	2.7	10.8	17.6	23.0	17.6	20.3	8.1	0.0	0.0
Extrapolated to pop	12	48	79	103	79	91	36	0	0
Lower grades									
Sample (223)	4	10	9	25	36	44	59	32	4
% of total	1.8	4.5	4.0	11.2	16.1	19.7	26.5	14.4	1.8
Extrapolated to pop	114	285	257	713	1 026	1 255	1 683	913	114

Source: Questionnaires, February 2001

NB Not all respondents provided age data

The fact that over 30% of the senior management group is above the age of 50 implies that there will be significant (and possibly accelerated) promotion opportunities for those currently below them.

4.3 Turnover rates

A further factor to be considered when predicting future recruitment and training patterns, is the rate at which existing staff leave the public service. Once again, data proved difficult to extract, but over the period 1/4/99 – 31/12/2000, there were 150 resignations (as opposed to retirements) by staff in finance positions. The distribution between national and provincial departments is both remarkably consistent and lower than might have been anticipated, as shown in the table below:

Table 8: Resignations

	Resignations	'Establishment'	Turnover
National Departments	60	2 780	2,2%
Provincial Departments	90	4 124	2,2%
Total	150	6 904	2,2%

Source: PERSAL database, for period 1/4/99 – 31/12/2000

4.4 Transformation and representivity

A further analysis of finance staff by race and gender was undertaken, as future demand may well be 'skewed' as recruitment seeks to compensate for past inequalities.

Table 9: Race and gender

	<i>Female</i>	<i>Female</i>	<i>Female</i>	<i>Female</i>	<i>Male</i>	<i>Male</i>	<i>Male</i>	<i>Male</i>	TOTAL
	<i>African</i>	<i>Asian</i>	<i>Coloured</i>	<i>White</i>	<i>African</i>	<i>Asian</i>	<i>Coloured</i>	<i>White</i>	
Finance & Related	584	19	43	409	676	32	72	274	
Financial Clerks	1 547	82	261	1 306	1 170	32	168	229	
TOTAL	2 131	101	304	1 715	1 846	64	240	503	6 904

Source: PERSAL database, February 2001

4.5 Implications

4.5.1 Context

Overall, turnover rates are lower than anticipated (5 – 7% was anticipated), and the requirements for the senior management grades are distorted as new Chief Financial Officers take up posts and adjust existing departmental establishments.

4.5.2. Future demand for 'long-term' training

A significant proportion of the senior management group is due to retire over the next few years, and this will require:

- ?? Either; the promotion of those currently occupying the middle management grades. In view of the deficiencies in both supervisory and technical competences identified in this middle management group of staff – over half of whom are already more than 35 years old – a significant amount will need to be invested in training up to 450 Deputy and Assistant Directors, at least to the level of competence contained in the CBET Accounting Technician qualification (Tier 3 of the IPFA structure);
- ?? Or; the recruitment of 'ready made' replacements from outside the public service. This implies that tertiary institutions would have to develop programmes that produce, say, 50 Public Service 'graduates' each year. This number may suggest that the national Treasury should encourage a limited number of institutions to develop a specialist programme.

4.5.3 Short-term demand for training

Numbers can be extracted from the survey to illustrate the considerable requirements to be met in the very short term. For example, over half the 4 000 lower grade staff lack any qualification above matriculation, and they lack knowledge of accounting and public finance.

There are also policy issues surrounding the relative priority of who should be trained. For example, should limited training resources be allocated to individuals due to retire in the next few years before others with potentially a longer 'payback' period of government service are trained?

5 A VALIDATION MECHANISM

5.1 Need for validation

There is a growing concern that government is not receiving ‘value for money’ for the significant amounts departments spend to train finance officials. As the introduction of the PFMA will intensify the demand for the training of both finance and non-finance officials, there is a risk that this situation will worsen, and that training providers will offer programmes of variable quality on matters they perceive to be topical, but which do not meet the real, prioritised needs which have been identified.

“Quality control” in tertiary institutions (catering for long-term needs – future entrants) is subject to processes, such as those of SAQA. The coordination and quality issues surrounding short-term financial training can be addressed by introducing a process to ‘accredit’ or ‘validate’ programmes.

An effective validation mechanism must be transparent, with clear statements of the criteria to be achieved to gain validation, with clear guidance from government about the priorities to be addressed.

To ensure that the establishment of a validation mechanism was transparent, a workshop for training providers was held in Midrand on 5 April 2001. A further workshop was scheduled for 10 April in Cape Town. These events were publicised by means of advertisements placed in national newspapers, invitations placed on the IPFA website, and invitations faxed to tertiary institutions. Due to a poor response, the Cape Town workshop was cancelled, although those who would have attended were flown to the Midrand event.

5.2 Approach to validation

It is important to recognise that in developing a validation mechanism, there is no desire to duplicate other processes (for example, SAQA’s Council for Higher Education arrangements). The aim is to be constructive and not to establish additional ‘hurdles’ that providers must jump through, nor to interfere with departmental independence in selecting programmes. The mechanism will focus on ‘short courses’, and may prove to be an interim measure, in place only until other processes become

operational. It will ensure that programmes are targeted on identified needs and are delivered to a suitable quality.

For these reasons, the mechanism should be simple and the process clear. There will be no elaborate bureaucracy established, and a limited set of factors will form the basis for appraising the programmes on offer.

5.3 Suggested criteria for approval

In order to avoid an elaborate point-scoring formulae, the workshop for providers tested a limited set of criteria for assessment (together with guidance on what would be deemed relevant), in the form of a short questionnaire. This instrument was revised in the light of the constructive comments received, and appears as *Appendix I*. In summary, the following criteria are listed:

- ?? Resources available to the provider: human, infrastructural & technological;
- ?? The training priorities to be addressed (as indicated in this report);
- ?? The anticipated learning outcomes and the level at which the programme is pitched (to ensure that relevant staff attend the appropriate programme);
- ?? Course structure and content (including materials used);
- ?? The design process followed (to ensure relevance);
- ?? The effectiveness of the teaching/learning approach;
- ?? Methods used to assess the effectiveness of teaching;
- ?? Mechanisms to support learners;
- ?? The nature and effectiveness of assessment processes.

5.4 Proposed validation process

To ensure that the process is transparent and independent from providers of training, a credible body should be responsible for decisions taken. This function must be the responsibility of the national Treasury in collaboration with SAMDI, and it is recommended that a small Validation Board be appointed to perform the function. This Board will probably be composed of a small number of

officials (drawn from SAMDI and national and provincial Treasuries) and will be accountable to the national Treasury, with clear Terms of Reference.

The Board's initial task will be to circulate the final version of this report to providers and all departments, explaining the validation process, and the financial training policy recommended by national Treasury.

The Board's processes will be transparent, and 'unsuccessful' providers will be given the opportunity to appeal recommendations made. In summary, it is anticipated that the process will operate as follows:

- ?? A forum of providers will be invited to finalise the validation criteria and process;
- ?? This report and the criteria for validation will be circulated to providers, together with an invitation to seek validation of existing and planned programmes, using the questionnaire at ***Appendix I***;
- ?? The provider will submit an application and the requested documentation;
- ?? The Board will evaluate the application in accordance with the published criteria;
- ?? The provider will be informed of the outcome of the application, and if unsuccessful be given the opportunity to 'appeal';
- ?? The list of validated providers will be circulated to all departments;
- ?? The Board will monitor programmes on an ongoing basis.

6 A FORUM FOR PROVIDERS

When IPFA's Education, Training and Membership Committee was established in 1996, representatives were sought from the various stakeholder groups of providers, and this has proved a useful base from which to develop a communication forum. In addition, the 1998 TNA exercise carried out a survey of providers of accountancy education and training, and became the database of contacts.

However, in order to ensure inclusivity, the initial workshop for providers mentioned in the previous section was publicised by means of advertisements placed in national newspapers, invitations placed on the IPFA website, and invitations faxed to tertiary institutions.

The aim of this initial event was twofold: firstly to share the preliminary findings of the survey of competence gaps, and secondly to receive inputs on the proposed validation mechanism and process. The many constructive comments made by providers have been incorporated in revised documentation.

The next stage will be the circulation to providers of a final version of the validation instrument and process, to be followed by a second workshop to ratify these documents (although national Treasury reserves the right to finalise them), and to distribute this report. These steps will follow immediately after national Treasury approves the recommendations in this document.

Further workshops will be convened as and when stakeholders believe them to be useful, or when there are significant developments (such as the impending reforms to the procurement process).

7 A WAY FORWARD

7.1 Introduction

When combined, the four elements of this exercise constitute a ‘Training Framework’. However, to operationalise this framework, a number of decisions must be taken and actions put in place. For example, the training needs identified for senior management are substantial, yet the time pressures on this group of staff are so considerable that recommending attendance on formal educational programmes is unlikely to be a viable option; hence alternative delivery methods (such as web access) must be considered.

This final section of the report charts a way forward in terms of the steps to be taken, and suggests a timescale for actions. Recommendations are grouped around:

- ?? Policy matters, relating to Human resource management and cross cutting issues;
- ?? Training priorities, for each group;
- ?? The validation mechanism and process;
- ?? Continuing the providers forum.

7.2 Policy matters

7.2.1 Human Resource management issues

In addition to attending courses, employees benefit from ‘on-the-job’ training. Financial components in all departments should ideally have written on-the-job training policies that guide supervisors and instruct new employees in the conduct of their tasks.

‘On-the-job’ training is also an acceptable means to train officials in new developments such as the PFMA, and new systems, provided that it is executed in a structured manner (for example, devoting the first Friday morning of every month for this purpose).

The departmental training policy should also refer to a formal financial induction program, which would ensure that all staff understand the total picture of public finance. Formal finance training should be linked to the career path of a candidate and satisfactory completion of stages of training should be a compulsory criteria to be considered for promotion.

Impact assessments should also be undertaken on a regular basis to determine if a particular training programme contributed to departmental performance.

Although job descriptions exist for finance staff, the fact that departments are unique and have different services delivery mandates, merits a detailed investigation by departments to update or refine different job descriptions.

It is recommended that:

- 1) Departments develop written on-the-job training policies, which include structural arrangements to ensure that supervisors mentor their subordinates on the correct performance of their tasks.
- 2) For attendance on programmes over a specific duration (possibly one month) training could be offered on a bursary, which required trainees to work time back for their department.
- 3) An assessment of training impact should be undertaken by departments as a matter of routine.
- 4) A detailed investigation should be launched by departments in updating/refining the different job descriptions.

7.2.2 Cross-cutting issues

7.2.2.1 Supervisory skills

While not essentially a financial issue, many of the issues highlighted in the 'soft' issues section of the questionnaire suggest that there is a dearth of supervisory skills within departments, and this contributes to poor motivation and productivity.

7.2.2.2 Impending reforms to the Procurement system

Major reforms are to be introduced to government's procurement systems, and these will ensure that Heads of Department can be accountable for the spending of their budgets. This approach is to be phased in over the next 18 months, as training in the new principles is rolled-out and departments gain the capacity to operate their own mechanisms. In view of the lack of competence apparent in all three staff groupings in the field of procurement, this area must be given priority.

It is recommended that:

Training around supervisory skills and the procurement competencies be prioritised.

7.3 Specific training priorities

7.3.1 Senior management

In view of the considerable time pressures on senior managers, it is assumed that they are unlikely to be able to attend long-term programmes. Hence options such as the development of modular ‘short courses’; the development and circulation of learning materials (such as manuals, best practice guides etc), and access to a ‘learning resource centre’ on the national Treasury web-site must be considered.

In view of PFMA requirements this year, the following priority areas for training course and/or material development are relevant:

- ?? Performance Indicators – Generate and interpret performance indicators; Determine and explain performance measurement strategies and techniques;
- ?? Appreciate the use and limitations of accounting data as a basis for management action;
- ?? Appreciation of the sensitivity of elements in the budget;
- ?? All Costing competencies
- ?? Advice on working capital policy and management of debtors and creditors;
- ?? Operate a cash management and credit control system;
- ?? Be aware of the principles of GAAP / GRAP;
- ?? Public sector financial statements;
- ?? Analyse and interpret financial reports and statements;
- ?? Calculate and interpret accounting rates;
- ?? Understand control principles, such as separation of duties etc;
- ?? All Procurement competencies;
- ?? Use and application of risk assessment techniques;
- ?? Ability to present information in graphical, diagrammatic or tabular formats.
- ?? Interpretation of the commercial accounts of public entities (relevant for some senior managers given the responsibilities for overseeing public entities contained in the *Treasury Regulations*).

7.3.2 Middle management

In many respects, the major issue identified in the investigation is the need to build an effective middle management cadre. At present, this group lack both technical and supervisory competencies.

Over the last 18 months, IPFA has coordinated a pilot version of the 'Competence Based Education and Training' (CBET) programme for Accounting Technicians: the level of competence expected from the middle management group. This is an established programme in both the UK and the private sector in South Africa, and has the potential to address the technical and supervisory weaknesses identified in the survey of competence gaps. In the pilot scheme, the programme was delivered by a private sector provider, and the cost restricted the number of participants. However, there may be an alternative approach that would allow the cost effective delivery of this programme to large numbers of officials, and this is being researched by IPFA.

In addition, the following priorities areas for training course and/or material development appear immediately relevant:

- ?? Performance Indicators: Generate and interpret performance indicators;
- ?? Budgeting: Contribute to the planning and allocation of resources; Prepare forecasts of income and expenditure; Produce draft budget proposals;
- ?? Costing: 'activity-based costing' & cost drivers; Distinguish between capital & operational expenditure;
- ?? Budgetary control: Operate budgetary control systems (monthly reporting);
- ?? Be aware of principles of GAAP / GRAP;
- ?? Calculate and interpreted accounting rates;
- ?? Appreciate the limitations of accounting data as a basis for management action;
- ?? Procurement: Procure goods and services in accordance with PFMA, State Tender Board Act, etc;
- ?? Basic workplace skills: Produce spreadsheets for the analysis of numerical information; Present information in graphical, diagrammatic or tabular formats;
- ?? Internal Control and Auditing: risk assessment techniques and control principles, such as separation of functions;
- ?? Understand the role of the internal audit function;
- ?? Project management and project management systems;
- ?? Programme-setting processes;
- ~~??~~ Reforms in budgeting and budgetary systems and the Medium-term Expenditure Framework (MTEF).

7.3.3 Lower grades

The clear message from this grouping was a lack of underlying knowledge – a failure to appreciate the context in which they (and government) operate. This is bound to have a negative effect on

motivation. There are major benefits to be gained from 'On the job' training, if this is supported by a structured programme of formalised training time each week, using coursepacks / manuals web access etc.

Areas for immediate attention are as follows:

- ?? Use calculators and other equipment in processing documents;
- ?? Draft routine business communications;
- ?? Make & record payments in accordance with financial policies & regulations;
- ?? Understand the responsibilities, functions and qualities of the Auditor-General;
- ?? Understand the role and responsibilities of the internal audit function.

In addition, the CBET programme mentioned above allows for 'mini qualifications' – combinations of modules – which are relevant to many of the needs of the lower grade staff.

7.4 Validation mechanism and process

The draft validation criteria and associated guidelines included in the documentation distributed at the workshop have been refined in the light of the constructive comments received, and together with the final questionnaire, will be circulated widely as final proposals. A further meeting of providers will be asked to ratify these documents, but the national Treasury reserves the right to finalise the instruments and processes to be implemented.

It is recommended that:

- 1) National Treasury and SAMDI appoint a Validation Board, with clear Terms of Reference, composed of a small number of officials (drawn from SAMDI and national and provincial Treasuries).
- 2) National Treasury should appoint a secretariat to evaluate applications against the published criteria, and makes recommendations, for decision by the Board
- 3) The validation process operate as follows:
 - ?? a forum of providers will be invited to finalise criteria and process;
 - ?? the instrument at *Appendix I* will be circulated to providers together with an invitation to seek validation;
 - ?? providers will submit application form and requested documentation;

- ?? the application will be evaluated in accordance with the published criteria;
- ?? each provider will be informed of the outcome of their application;
- ?? any 'unsuccessful' provider will be given the opportunity to 'appeal' the recommendation made;
- ?? a list of validated providers will be circulated to departments;
- ?? the Board will conduct ongoing monitoring of programmes.

7.5 Providers forum

A follow-up to the successful April workshop should be convened, to distribute the final version of this report and to ratify the validation mechanism and process. It will be appropriate for national Treasury to take the lead in communicating training priorities, although IPFA will undertake the administrative responsibility.

It is recommended that:

A workshop for providers is convened during September 2001, following the dissemination of this document.

APPENDICES

- A** **IPFA Qualifications**
- B** **The Questionnaire**
- C** **Report on Testing of Questionnaire**
- D** **Full Analysis of Questionnaire Results**
- E** **Numerical analysis of results, including ‘Not applicable’**
- F** **Numerical analysis of results, excluding ‘Not applicable’**
- G** **Competence gaps: Outcomes and Embedded Knowledge**
- H** **Cross analysis of Questionnaire**
- I** **Validation Instrument**