

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 3378

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Mr M H Steele (DA) to ask the Minister of Finance:

- (1) Whether he intends (a) introducing any amendments to the Public Finance Management Act, Act 1 of 1999 or (b) issuing any new regulations to place limits on the period for which contracts can be extended; if not, why not; if so, what are the relevant details in each case;
- (2) whether he will make a statement on the risks inherent in any department or entity extending a contract beyond its original time span?

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REPLY

- (1) The Public Finance Management Act (PFMA), 1999 is now in its tenth year of implementation and it is considered good practice to periodically review legislation to ensure that it remains relevant and easy to implement. Soon after the Act came into effect from 1 April 2000 several financial management reforms were introduced and over the years of implementation shortcomings have been identified in the legislation. The National Treasury is therefore giving consideration to amending the PFMA at an appropriate time to formally legislate the reforms that were introduced and to amend sections that are considered problematic.

The Multi Agency Working Group on supply chain management is, however, currently conducting investigations into supply chain management irregularities and may recommend amendments to the legislative framework to strengthen provisions related to supply chain management. Limiting the period for which contracts can be extended may be considered as well. As soon as this process is completed, the National Treasury will consider amending the PFMA and revising the Treasury Regulations.

- (2) In terms of section 38(1)(a)(i) of the PFMA, the accounting officer is required to ensure that his or her department has and maintains effective, efficient and transparent systems of financial and risk management and internal control. Chapter 3 of the Treasury Regulations also requires the accounting officer to conduct regular risk assessments to identify emerging risks of the institution and to develop a risk management strategy. This strategy must include a fraud prevention plan and must be used to direct internal audit effort and priority. Risks inherent in any department or entity, including risks associated with extending a contract beyond its original time span, should be identified in the risk management process of the respective department or entity. Whilst risk management is an institutional function, the National Treasury will issue a practice note during the first quarter of 2011 on the extension of contracts, which will also address the risks associated with extending contracts beyond its original time span.