

NATIONAL COUNCIL OF PROVINCES

QUESTION FOR ORAL REPLY

QUESTION NUMBER: 111 [CO725E]

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★111. Mr B L Mashile (ANC-Mpumalanga) to ask the Minister of Finance:

- (1) Whether the implementation of the Public Finance Management Act, Act 1 of 1999, has failed to fully address financial challenges in provinces as has been raised by the Financial and Fiscal Commission; if not, what is the position in this regard; if so, how was this conclusion reached;
- (2) whether the National Treasury will consider introducing an early warning system in order to detect financial problems in provincial departments by (a) setting (i) criteria in this regard and (ii) clear norms and standards for the performance of provincial treasuries and (b) improving monitoring and evaluation systems; if not, why not; if so, what are the relevant details?

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REPLY:

- 1) The legislation on its own cannot address the financial management shortcomings or failures. As with other legislation, the Public Finance Management Act (PFMA) assumes that a specific skill-set and capacity is available in provinces. There are external factors that hamper the proper implementation of the PFMA. These factors are poor fundamental management skills, failure to apply strong accountability and to implement the performance management requirements that are set out in legislation and the various regulations or guidelines that are in place.

To address these, the following must be attended to:

Firstly, public service recruitment practices for senior managers must always place a strong emphasis on management capacity. Secondly, qualifications in the area of finance must be carefully scrutinised to ensure that CFOs and their teams are properly skilled. Thirdly, departments must have targeted and strong management development and induction programmes to develop their internal staff members. Finally, there must thus be clear and non-negotiable imperatives in the performance agreements between accounting officers and their political principles. On the other side of the continuum, when accounting officers do not execute their duties in terms of the regulations and laws that govern the system, they must be held accountable in terms of the rules already outlined in those regulations.

- 2) There is indeed a weakness in a number of Provincial Treasuries in exercising the functions outlined in section 18 of the PFMA and early warning systems are being amended to address these. Both section 18 of the PFMA and the Treasury Regulations provide the foundational legal requirements for the performance of Provincial Treasuries. While, currently, there is active monitoring of financials of provinces, more will be done. Given the existing shortcomings, the following criteria and requirements will be implemented in respect of Provincial Treasuries:

Firstly, Provincial Treasuries will be required to directly and continuously monitor the payment systems of government (BAS and PERSAL) to ensure that instances of irregular payments are eradicated. This will be checked on as performance criteria by the National Treasury. Secondly, a framework and model for monitoring and controlling the personnel management in provinces is being established. Provincial Treasuries will be required to implement internal structures to ensure that personnel spending is kept under control, and that excess personnel is reduced and reported on. Thirdly, regulations and rules are being implemented for the control of procurement processes. In this regard, establishing supply chain management units will be a requirement within each Provincial Treasury to execute this. Fourthly, a financial management improvement plan is being drafted for each provincial treasury, to ensure that corporate governance practices are embedded within departments. Finally, through the Technical Committee on Finance information sharing with stronger Provincial Treasuries is being fostered.

The above measures will be constantly monitored through both data and continuous visits to provinces. It is nevertheless important to note that the above measures will take time to be built into the structures and management practices of provinces.