

Public Sector: Accounting and Finance

Presenters: Caryn Maitland CA(SA)
Bronwyn MacCallum CA(SA)

Session 4: The PFMA and Treasury Regulations

Understanding the financial management requirements of the PFMA and Treasury Regulations

Ask Questions

To ask questions and interact during the webinar please use the chat sidebar to the right of the video / presentation on the screen.

Feel free to ask your questions during the webinar in the chat, these will be address in the formal Q & A at the end of the presentation.

Caryn Maitland

Caryn is a qualified CA(SA and RA, who has lectured extensively at UKZN (and other institutes) where she lectured Advanced Financial Accounting up until 2011 as well as co-ordinating the module on the Pietermaritzburg campus and was appointed Section Head of Financial Accounting and Deputy Head of the School of Accounting (managing the Pietermaritzburg campus) prior to leaving UKZN.

She has conducted independent workshops and seminars for professional accountants since 2006 on various topics and has consulted on a number of technical issues. Since January 2011, she has focused on her own business as technical freelance consultant and trainer to those working within the accounting profession. Caryn is a technical advisor to the SAICA Eastern Region Midlands District, Northern District and Southern District Associations, as well as the Small Practice Interest Group in Durban – specialising in financial reporting (IFRS, IFRS for SME's and general accounting), assurance, legislation and ethics. Caryn has a passion for Corporate Governance, which together with her Companies Act specialism and Financial Management for Non Financial Management lecturing background, has served her well in consulting and advising various Boards of Directors in recent years.

Caryn is also a platform presenter for various institutes as well as many small to medium accounting practices across the country and into Southern Africa. Maitland was appointed as a visiting Associate Professor to the University of Limpopo tasked with mentoring their Financial Accounting staff (Aug 2011 to Dec 2013).

Maitland's passion is IFRS and IFRS for SME's and was delighted at the opportunity granted in 2013 to serve on the APC subcommittee constituted to investigate the need for Micro GAAP and the role of IFRS for SME's for small and medium sized practitioners. Caryn, also serves on the Joint Accountants, Auditors and Attorneys Committee of SAICA, and is part of the School Governing Body project initiated by SAICA in KwaZulu-Natal, and has been appointed as an alternative member to the APC in June 2020

Caryn was elected as the first woman Chairperson for the Midlands District Association for SAICA in 2018 and also serves on the Eastern Region SMP Committee as well as the Local Subvention Committee for SAICA. In 2019 Caryn was appointed to the SAICA Eastern Region Council. As someone who is committed to environmental affairs, Caryn serves as a non-executive director for the Institute of Natural Resources, a Non Profit Company focusing on research. Since 2018 Caryn has worked extensively with commerce and industry, assisting analysts, directors and other users of financials to interpret, prepare, analyse and forecast based on the results of financial statements.



Bronwyn MacCallum

Bronwyn qualified as a CA(SA) in 2004 and has spent time in private practice as a partner and later director of small and medium firms as well as a tenure at the Auditor-General of South Africa as a Senior Manager and SAICA Training Officer. Her current professional focus is on the design, implementation and monitoring of systems of quality control in the auditing profession for firms and for engagements.

Bronwyn has also spent many years lecturing Auditing, IFRS and Public Financial Management at undergraduate, post-graduate and professional levels, both face to face and in the design and implementation of blended and on-line learning platforms. Bronwyn has played active roles at both SAICA and IRBA in board sub-committees related to professional practical training and development, and in various public sector governance structures and audit committees.

Bronwyn has significant experience in auditing in the public sector in South Africa, in audit committee and financial misconduct governance structures and speaking and presenting to political oversight structures. Bronwyn has also had extensive experience in the authoring and quality assurance processes of professional learning content for public finance management and related disciplines in government for the English speaking African countries. Topics include accounting and auditing in the public sector, public sector context, public financial management, financial management, economics, performance management, ICT and communications.

The content and training materials prepared and delivered have catered to both qualified accounting professionals working in the public sector, as well as to long-serving public servants who have not been formally trained in PFM, accounting and finance in the public sector.



Course Outline

Session Objectives

- Understand the objective of the PFMA
- Understand the structure of the contents of the Act
- Be able to identify the sections and responsibilities and requirements relation to financial management
- Understand the objective of the Treasury Regulations
- Understand the structure of the Treasury Regulations
- Be able to navigate the Treasury Regulations to find relevant information
- Be able to identify critical sections of the Treasury Regulations

Programme

- Definition of PFM: Recap
- PFMA/MFMA
- Objective of the PFMA
- The PFM Cycle (recap)
- PFMA Structure
- PFMA Schedules
- Useful definitions
- National Treasury and Revenue Fund
- Provincial Treasury and Revenue Fund
- National and provincial budgets
- Departments, CIs and PEs
- Financial Misconduct
- Treasury Regulations
- Recap

Recap: Public Financial Management

The set of **laws, rules, systems and processes** used by governments to:

- increase and collect revenue
- allocate public funds
- implement service delivery and public expenditure
- account and report for spending and service delivery
- provide assurance over the results

PFMA/MFMA cycles

PFMA Entities:

- Financial year: 1 April to 31 March
- Annual financial statements and annual report: 31 May
- Audit report: 31 July

MFMA Entities:

- Financial year: 1 July to 30 June
- Annual financial statements and annual report: 31 August
- Audit report: 30 November

Objective of the PFMA

- To **regulate financial management** in the **national** government and **provincial** governments;
- to ensure that **all revenue, expenditure, assets and liabilities** of those governments are **managed efficiently and effectively**;
- to provide for the **responsibilities** of persons entrusted with financial management in those governments;
- and to provide for matters connected therewith.

Recap: The PFM Cycle

Public policy and national development goals

Budget formulation and approval

Budget implementation

Monitoring and evaluation

Reporting and assurance

Structure of the PFMA

Note how the structure of the PFMA aligns with the PFM cycle, the role players and the levels of government:

- Chapter 1: Definitions, application etc
- Chapter 2: National Treasury and National Revenue Fund
- Chapter 3: Provincial Treasuries and Provincial Revenue Funds
- Chapter 4: National and Provincial Budgets
- Chapter 5: Departments and Constitutional Institutions
- Chapter 6: Public Entities

Structure of the PFMA

- Chapter 7: Executive Authorities
- Chapter 8: Loans, Guarantees and Other Commitments
- Chapter 9: General Treasury Matters
- Chapter 10: [Financial Misconduct](#)
- Chapter 11: Accounting Standards Board
- Chapter 12: Miscellaneous
- Schedules

Schedules

Schedule 1: Constitutional Institutions

- Chapter 9 institutions, IEC, HRC etc

Schedule 2: Major Public Entities

- Denel (Pty) Ltd, ESKOM, Airports Company of South Africa Ltd, Telkom SA Ltd, Transnet Ltd and all their subsidiaries

Schedules

Schedule 3: Other Public Entities

Part A: National Public Entities

- Accounting Standards Board, SETAs, CCMA, Competition Commission, EAAB, FIC, IRBA, NERSA, s etc

Part B: National Government Business Enterprises

- CSIR, Bloem Water, Amatola Water Board, Umgeni Water, State Diamond Trader, PIC

Part C: Provincial Public Entities

- Per province: Entities under each department, eg EC Parks Board, FS Tourism Authority, Gauteng Gambling Board, Natal Sharks Board, Trade and Investment Limpop etc

Useful definitions

- Accounting Officer: Head of Department of a department or CEO of a constitutional institution
- Accounting Authority: The Board of Directors of an entity or the CEO if not board or controlling body
- Vote: means one of the main segments into which an appropriation Act is divided and which
 - (a) specifies the total amount which is usually appropriated per department in an appropriation Act; and
 - (b) is separately approved by Parliament or a provincial legislature, as may be appropriate, before it approves the relevant draft appropriation Act as such.
- Appropriation: The division of revenue between votes of parliament (Division of Revenue Act – Annual Appropriation)

Useful definitions

- Fruitless and wasteful expenditure: expenditure which was made in vain and would have been avoided had reasonable care been exercised;
- Irregular expenditure: expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation
- Unauthorised expenditure:
 - (a) overspending of a vote or a main division within a vote;
 - (b) expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division;

National treasury and revenue fund

- Establishment
 - Minister
 - National Department
- Powers and functions
 - Promote fiscal policy framework
 - Co-ordinate macro-economic policy
 - Co-ordinate inter-governmental financial and fiscal relations

National treasury and revenue fund

- Budget:
 - Manage the budget preparation process
 - Exercise control over the implementation of the annual national budget and budget adjustments
 - Facilitate the implementation of the annual DORA
 - Monitor implementation of provincial budgets

National treasury and revenue fund

- Promote and enforce transparency and effective management in respect of:
 - Revenue
 - Expenditure
 - Assets and Liabilities
- Of departments, public entities and constitutional institutions
- Other functions

National treasury and revenue fund

- In order to perform these functions:
 - Prescribe uniform treasury norms and standards
 - Enforce this Act and any prescribed norms and standards (including prescribed standards of generally recognised accounting practice and uniform classification systems, in national departments
 - Monitor and assess the implementation of this Act, including prescribed norms and standards, in provincial departments, PEs and Cis
 - Assist in capacity building for efficient, effective and transparent financial management

National treasury and revenue fund

- Investigate any system of fin mgt and internal control
- Intervene to address a serious / persistent material breach
 - S100 of the Constitution: National intervention in provincial administration
 - Withholding of funds
- May do anything further that is necessary to fulfil its responsibilities effectively

National treasury and revenue fund

- Prescribe a framework within which departments, PEs and CIs conduct their cash management
- Prepare consolidated financial statements in accordance with generally recognised accounting practice for each financial year in respect of the following and submit to the AGSA within 3 months of the financial year end, for AGSA to audit and report within 3 months and submit to parliament within 1 month (7 months in total between year end and parliament):
 - National Departments
 - Public Entities
 - Constitutional Institutions
 - The SARB
 - The AGSA
 - Parliament

National treasury and revenue fund

- Control of the National Revenue Fund
 - All money received by government must be paid into this fund (unless governed by another Act)
 - May not be withdrawn from this fund except in terms of an Appropriation by an Act of Parliament or a direct charge against the Fund
- SARS must promptly deposit all collections for that Revenue Fund
- Provisions exist relating to rules for withdrawals
- Provisions exist relating to the use of funds in emergency situations

National treasury and revenue fund

- Establishment
 - MEC
 - Provincial Department

Provincial treasury and revenue fund

- Budget:
 - Prepare the provincial budget (National: Manage the budget preparation process)
 - Exercise control over the implementation of the provincial budget (annual national budget and budget adjustments)

Provincial treasury and revenue fund

- Promote and enforce transparency and effective management in respect of:
 - Revenue
 - Expenditure
 - Assets and Liabilities
- Of provincial departments, provincial public entities
- Ensure that its fiscal policies do not materially and unreasonably prejudice national economic policies

Provincial treasury and revenue fund

- In order to perform these functions:
 - Issue provincial treasury instructions not inconsistent with this Act (National: Prescribe uniform treasury norms and standards)
 - Enforce this Act and any prescribed norms and standards (including prescribed standards of generally recognised accounting practice and uniform classification systems, in provincial departments)
 - Comply with the division of revenue Act, and Monitor and assess the implementation of this Act, in provincial public entities
 - Monitor and assess the implementation in provincial public entities of national and provincial norms and standards
 - Assist in capacity building for efficient, effective and transparent financial management

Provincial treasury and revenue fund

- Investigate any system of fin mgt and internal control of provincial departments and public entities
- Intervene to address a serious / persistent material breach
 - Withholding of funds
 - Must promptly provide any information required by the National Treasury in terms of this Act
- May do anything further that is necessary to fulfil its responsibilities effectively

Provincial treasury and revenue fund

- Prepare consolidated financial statements in accordance with generally recognised accounting practice for each financial year in respect of the following and submit to the AGSA within 3 months of the financial year end, for AGSA to audit and report within 3 months and submit to parliament within 1 month (7 months in total between year end and parliament):
 - Provincial Departments in the province
 - Public Entities in the province
 - Provincial Legislature

Provincial treasury and revenue fund

- Control of the Provincial Revenue Fund
 - All money received by provincial government must be paid into this fund (unless governed by another Act)
 - May not be withdrawn from this fund except in terms of an Appropriation by an Act of Parliament or a direct charge against the Fund
- Provisions exist relating to rules for withdrawals
- Provisions exist relating to the use of funds in emergency situations

National and provincial budgets

- Annual appropriations
 - Parliament and provincial legislature
 - Annually appropriate money for each financial year for the requirements of the state and province
- Minister of Finance
 - Table the annual budget for a financial year in National Assembly before the start of the financial year
- MEC for Finance
 - Table the annual budget for a financial year in Provincial Legislature not later than two weeks after the tabling of the national budget

National and provincial budgets

- Form and content:
 - Prescribed format
 - Estimates of revenue expected to be raised
 - Estimates of current expenditure per vote and main division
 - Estimates of interest and debt servicing charges and loan repayments
 - Estimates of capital expenditure per vote and main division and the projected financial implications of that expenditure for future financial years
 - Estimates of revenue excluded from the budget
 - Estimates of direct charges
 - Proposals for financing any anticipated deficit and intentions regarding borrowing/public liability

National and provincial budgets

- Other information:
 - Projected:
 - Previous year revenue (because before the current financial year is finalised)
 - Expenditure per vote, per main division, and
 - Borrowing for the previous financial year
 - Any other prescribed information including multi-year budget information*
- Each department ALSO presents its measurable objectives for each main division within the department's vote

National and provincial budgets

- National Budget adjustments:
 - ONLY for adjustments due to:
 - Significant and unforeseeable economic and financial events affecting fiscal targets set by the annual budget
 - Unforeseeable and unavoidable expenditure recommended by the national executive etc
 - Section 16 expenditure (emergencies)
 - Expenditure already announced
 - Shifting of funds between votes due to transfer of functions
 - Utilisations of savings within a vote
 - Roll-over of unspent funds

National and provincial budgets

- Provincial Budget adjustments:
 - ONLY for adjustments due to:
 - Appropriation of funds that have become available to the province
 - Unforeseeable and unavoidable expenditure recommended by the provincial executive of the province within a framework determined by the MINISTER
 - Section 25 expenditure (emergencies)
 - Expenditure already announced
 - Shifting of funds between votes due to transfer of functions
 - Utilisations of savings within a vote
 - Roll-over of unspent funds

National and provincial budgets

- Monthly publications in the GG: Statement of Actual Revenue and Expenditure of the National Revenue Fund
- Quarterly reporting of each Provincial Treasury to the National Treasury of Revenue and Expenditure – also published in the GG within 30 days

Departments and CIs and PEs

- S38: General Responsibilities of Accounting Officers (not exhaustive), and S51 (accounting authorities)
- Has and maintains:
 - Effective, efficient and transparent systems of financial and risk management and internal control
 - A system of internal audit under the control and direction of an audit committee (reference to sections 76 and 77)
 - An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective
 - A system for properly evaluating all major capital projects prior to a final decision on the project

Departments and CIs and PEs

- Effective, efficient, economical and transparent use of the resources of the *department/Trading entity/CI/OE etc*
- Must take effective steps to:
 - Collect all money due to *
 - Prevent unauthorised, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct
 - Manage available working capital efficiently and effectively
- Management, including safe-guarding and maintenance of the assets, and for the management of the liabilities, of *

Departments and CIs and PEs

- Comply with any tax, levy, pension and audit commitments as may be required by L&R
- Settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period
- Immediate report to UIF to relevant treasury and tender board
- Take effective and appropriate disciplinary steps against any official who
 - Contravenes or fails to comply with a provision of this Act
 - Commits an act which undermines the financial management and internal control system
 - Makes/permits UIFW

Departments and Cls and PEs

- Compliance with DORA and requirements relating to transfers out
- Take into account all relevant financial and value for money considerations when considering proposals
- Comply with the PFMA
- May not commit * to any liability for which money has not been appropriated

Departments and CIs and PEs

- Budgetary control
 - Expenditure is in terms of the vote and main divisions of the vote
 - Effective steps are taken to prevent unauthorised expenditure, overspending
 - Report: under-collection of revenue, shortfalls in budgeted revenue, overspending

Departments and Cls and PEs

- Reporting:
 - Keep full and proper records of the financial affairs
 - Prepare financial statements for each financial year in accordance with GRAP
 - Submit within 2 months to AG for audit and NT/PT for consolidation
 - Annual report within 5 months to NT/PT
 - Activities of the *
 - Audited AFS
 - AGSA's report
- (There are also monthly and quarterly requirements)

Departments and Cls and PEs

- Auditing:
 - AGSA to audit and report within 2 months of receipt
- AFS and Annual report must:
 - Fairly present the state of affairs of *, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned and:
 - Any material losses through criminal conduct, UIFW
 - Criminal or disciplinary steps taken
 - Material losses recovered/written off
 - Any other prescribed matters

Departments and Cls and PEs

- Responsibilities of other officials (within the area of responsibility of that official:
 - That the system of financial management and internal control is carried out
 - Effective, efficient, economical and transparent use of financial and other resources
 - Take effective steps to prevent UIFW
 - Comply with the provisions of this Act and any delegations
 - Management, including safeguarding, of the assets and the management of liabilities

Financial misconduct

Accounting officer commits an act of financial misconduct if s/he wilfully or negligently:

- Fails to comply with a requirement of a relevant section (acc off responsibilities etc)
- Makes per permits an UIF
- If a board (AA), every member is individually and severally liable for financial misconduct of the accounting authority

An official to whom a power or duty is assigned commits an act of financial misconduct if s/he wilfully or negligently fails to exercise that power or perform that duty.

Treasury Regulations

- PFMA GENERAL TREASURY MATTERS
- 76: Treasury regulations and instructions:
 - Any matters prescribed to the PFMA
 - Financial management and internal control
 - Framework for an appropriate procurement and provisioning system
 - Audit committees, their appointment and their functioning
 - Internal audit components and their functioning
 - Losses, damages, other ad-hoc control/trust/handover/disposal/non-routine matters

Treasury Regulations

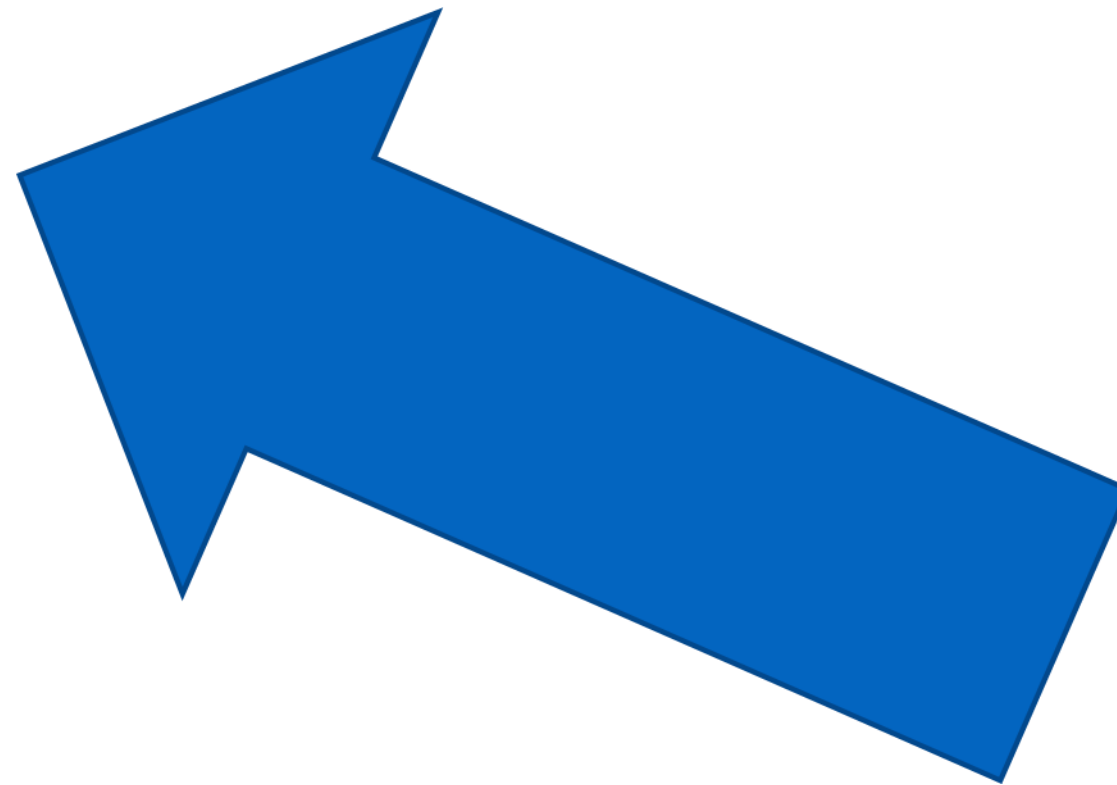
- PFMA GENERAL TREASURY MATTERS
- Audit committees:
 - At least 3 persons
 - At least 1 outside public service
 - Majority must be outside employ of *
 - Chair must not be in employ of *
 - Must meet at least twice a year
 - May be established for two or more departments (Treasury shared service)

Treasury Regulations

- Definitions
- Management Arrangements (CFO, Internal control (AC, IA), Fin Misconduct)
- Planning and budgeting
- Revenue and expenditure management
- Asset and liability management
- Frameworks
- Accounting and reporting requirements
- Miscellaneous
- Public Entities

Treasury Regulations

- Definitions
- Management Arrangements (CFO, Internal control (AC, IA), Fin Misconduct)
- Planning and budgeting
- Revenue and expenditure management
- Asset and liability management
- Frameworks
- Accounting and reporting requirements
- Miscellaneous
- Public Entities



PFM CYCLE:

PLAN
BUDGET
IMPLEMENT
REPORT

Treasury Regulations

PART 3: Planning and budgeting	13
5. Strategic planning	15
5.1 Date of implementation	15
5.2 Strategic plans	15
5.3 Evaluation of performance	15
6. Budgeting and related matters	16
6.1 Annual budget circular.....	16
6.2 Formats of the annual budget	16
6.3 Virement	16
6.4 Rollovers	16
6.5 Transfer of functions	17
6.6 Additional funds through an adjustments budget	17

Treasury Regulations

- REVENUE MANAGEMENT
 - Responsibility for revenue management
 - The accounting office must manage revenue efficiently and effectively by developing and implementing appropriate processes that provide for the **identification, collection, safeguarding, recording and reconciliation of information about revenue**
 - Services rendered by the state

Treasury Regulations

- EXPENDITURE MANAGEMENT
 - Responsibility
 - Approval of expenditure
 - Unless determined otherwise in a contract of other agreement, **all payments due to creditors must be settled within 30 days from receipt of an invoice...**
 - Personnel costs
 - Transfers and grants
 - Charging of expenditure against a particular vote of main division of a vote

Treasury Regulations

- ASSET MANAGEMENT
 - Responsibility
 - The accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that –
 - Stock levels are at an optimum and economical level...
 - Disposal and letting of assets
 - Assets accruing to the statement by operation of any law

Recap

- . Constitution: Public Administration
- . PFMA: Public Financial Management
 - . Role players
 - . Budgeting, Implementation, Reporting
 - . Treasuries
 - . Departments, CIs and Pes
 - . Responsibilities
 - . Consequence management (UIFW)
 - . General Treasury Matters
- . Treasury Regulations

**Thank you for your
participation**