

BRIEFING TO THE PORTFOLIO COMMITTEE ON PUBLIC SERVICE & ADMINISTRATION

Role of Political and Administrative Heads in terms of the PFMA

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Legislative Framework

- ❑ **Chapter 13 – Section 216(1) of the Constitution**
- ❑ **Public Finance Management Act (PFMA)**
 - Promotes good financial management
 - Modernize the system of financial management
 - Focus on performance, outputs & responsibilities
 - Economy, efficiency, effectiveness and transparency
 - Clarity of roles
- ❑ **Let managers manage and hold them accountable**

Key Policy Issues

- Division of Responsibilities**
- Composition of the National Treasury**
- Powers of the National Treasury**
- Voting by Main Division and Virement**
- Regular reporting of information**
- Timely submission of annual reports and financial statements**

Responsibilities of Exec Authorities (EA 1)

- ❑ **Executive Authority (Political Head/Cabinet Member)**
 - Policy matters and outcomes
 - Seeking Parliamentary approval for adoption of the budget vote
 - Perform statutory functions within limits of voted funds [Sec 63(1)]
 - Consider reports on under-collection of revenue, short-falls of budgeted revenue and over-spending of the Vote or Main Division [Sec 39(2)(b)]
 - Explanations for material variances between budget and expenditure and steps to ensure spending remains within allocated funds [Sec 40(4)(c)]

Responsibilities of Exec Authorities (EA 2)

- ❑ **Executive Authority (Political Head/Cabinet Member)**
 - Consider reports of non-compliance with the PFMA [Sec 40(5)]
 - Consider reports in respect of Virement [Sec 43(3)]
 - Approval of a public entity's budget [Sec 53(1)]
 - Approval of transaction in terms of section [Sec 54(2)]
 - PFMA & financial policies of the Executive [Sec 63(2)]
 - Executive directives to Accounting Officer (AO) with financial implications – must be in writing (Sec 64)

Responsibilities of Exec Authorities (EA 3)

□ Executive Authority (Political Head/Cabinet Member)

- Timeous tabling of annual reports in Parliament [Sec 65(1)(a)]
- Findings i.r.o. financial misconduct [Sec 65(1)(b)]
- Late tabling of annual report and financial statements [Sec 65(2)]
- Financial misconduct proceedings against the AO [TR 4.1.3]
- Approval of strategic plan [Framework for Strategic Planning]
- Evaluation of performance against the strategic plan

Accounting Officers (AO 1)

- ❑ **Administrative Head [HOD/Accounting Officer (AO)]**
 - Implement policy choices & deliver outputs – achieve outcomes
 - AO - departments constitutional institutions [Sec 36(1)]
 - Heads of Department & Chief Executive Officers [Sec 36(2)]
 - Appointment of other functionaries as AO [Sec 36(3)]
 - Employment contract – PFMA responsibilities [Sec 36(5)]
 - Acting Accounting Officers [Sec 37]
 - AO responsibilities [Sections 38 to 42]

Accounting Officers (AO 2)

□ **General Resp of Accounting Officers [Sec 38]**

- Effective, efficient, transparent systems of internal control and systems of financial & risk management
- System of internal audit under direction of an audit committee
- Procurement and provisioning admin system (supply chain)
- Effective, efficient, economical use of resources
- Prevent unauthorized, irregular and fruitless/wasteful expenditure
- Effective management of working capital (REAL)

Accounting Officers (AO 3)

- ❑ **General Resp of Accounting Officers [Sec 38]**
 - Safeguarding/maintenance of assets; liability management
 - Settle contractual obligations within prescribed period (30 days)
 - Report all cases of unauthorized, irregular and fruitless and wasteful expenditure to relevant treasury
 - Disciplinary steps against officials
 - Seek prior written NT approval – establishment of new entities
 - Comply and ensure institutional compliance with the PFMA

Accounting Officers (AO 4)

□ Budgetary Resp of Accounting Officers [Sec 39]

- Ensure expenditure in accordance with Vote and Main Division
- Effective & appropriate steps - prevent unauthorized expenditure
- Report to EA and to the relevant treasury: -
 - ❖ Under-collection of revenue due;
 - ❖ Shortfalls in budgeted revenue; and
 - ❖ Overspending of the Vote or Main Division

Accounting Officers (AO 5)

□ Reporting Resp of Accounting Officers [Sec 40]

- Keep and proper financial records
- Prepare financial statements - GRAP
- Submit financial statements to Auditor-General – May
- Submit annual report and financial statements to EA - August
- Monthly financial information to relevant treasury:
 - ❖ Revenue and expenditure for that month
 - ❖ Project of expected revenue and expenditure – remainder of year
 - ❖ Explanation of material variances

Accounting Officers (AO 6)

- ❑ **Info to be submitted by Accounting Officers [Sec 41]**
 - All information, returns, documents, explanations and motivations as may be required by relevant treasury or Auditor-General (AG)

- ❑ **AO Resp - Transfer of Assets and Liabilities [Sec 42]**
 - Transfers to other departments or institutions – legislation or reorganization of functions
 - Inventory of assets and liabilities
 - All records, including personnel records of transferred staff
 - Acknowledgment by both Accounting Officers
 - Signed inventory – relevant treasury and AG (within 14 days)

Delegations of Authority

- ❑ **Assignment of Powers and Duties by AO [Sec 44]**
 - In writing, delegate AO powers in Act to departmental officials
 - Instruct officials to perform duties assigned to AO
 - Subject to limitations and conditions imposed by AO
 - Delegation to individual or holder of post
 - AO not divested of responsibilities delegated
 - AO may confirm, vary or revoke any decision

Financial Misconduct

❑ Financial Misconduct by AO (Sec 81)

- Willfully or negligently fails to comply with Sections 38 to 42
- Makes or permits unauthorized, irregular or fruitless/wasteful exp
- AO guilty of offence – willfully or in a grossly negligent way fails to comply with sections 38; 39 or 40 – liable on conviction to a fine or to imprisonment for a period not exceeding 5 years

❑ Financial Misconduct by AO (Sec 81)

- Willfully or negligently fails to comply with powers or duties assigned in terms of section 44

The End



Thank you for listening!!!

