A long term solution to the financial skills shortage in South Africa's public sector

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Although South Africa’s public sector generally experiences skills shortages at many levels, the financial sector is particularly adversely affected. Against this background, the Southern African Institute of Government Auditors (SAIGA) developed a Financial Skills Development Model for the public sector. This model must be seen against the background of initiatives such as the Joint Initiative on Priority Skills Acquisition (JIPSA) and the broader objectives of the Accelerated and Shared Growth Initiative of South Africa (ASGISA).

The severity of the South African skills shortage

During his State of the Nation address on 3 February 2006, South Africa’s President, Mr Thabo Mbeki, was emphatic in emphasising the fact that a shortage of skills is amongst the most critical issues facing South Africa, and requires urgent attention.

Referring to the Accelerated and Shared Growth Initiative of South Africa (ASGISA) the President warned that in order to meet the ASGISA objectives, South Africa will have to pay particular attention to the issue of scarce skills, the shortage of which will negatively affect the capacity of both the public and the private sectors to meet the goals set by ASGISA.

Numerous strategic and highly prioritised actions have been, and are being launched by government to address this problem. These include the formation of JIPSA, the Joint Initiative on Priority Skills Acquisition, through which government, business, labour and civil society will act jointly to respond to the challenges of the skills shortage in as practical a manner as possible.

The President’s message has underlined similar comments made by other government officials (including the Minister of Finance during his Budget Speech), business leaders and other stakeholders. It is clear that all concerned citizens and institutional stakeholders have a responsibility to contribute to finding a solution to the South African skills shortage.

The financial skills shortage

Although South Africa generally experiences skills shortages at many levels, certain industries and sectors are particularly adversely affected.

The promulgation of the Public Finance Management Act (PFMA) and the Municipal Finance Management Act (MFMA) and related regulations have effected a paradigm shift away from administration to management and performance management in particular. The new legislation has taken public sector accountability to new levels and highly specialised skills are needed to implement these far-reaching reforms. Public sector entities (at all levels of government) now prepare annual financial statements; implement international accounting standards specifically developed for the public sector (Generally Recognised Accounting Practices - GRAP); manage according to predetermined, measurable objectives and report on their performance; carry out risk assessments as a matter of routine, and operate highly sophisticated governance structures such as internal audit functions and audit committees - to mention but a few.

It is not difficult to realise that these reforms are posing massive challenges in the public sector to train staff and develop financial skills.

National Treasury has, for some years now, been conscious of this problem and has launched numerous initiatives to develop financial skills in the public sector. The latest initiative involves a project rolled out in cooperation with the South African Management Development Institute (SAMDI) and other providers of short courses in financial management.

In fact, our country’s private sector might even be experiencing some measure of oversupply of highly skilled financial persons (for example, chartered accountants).

Solving the financial skills shortage - the private sector example

For many decades, South Africa’s private sector has assured itself of a constant supply of financial skills through a simple, yet effective system.

This system has provided South Africa’s business sector with the necessary financial skills and not even the so-called "brain-drain" of accounting and auditing professionals to other countries has been able to create any significant disturbances over the years. In fact, our country’s private sector might even be experiencing some measure of oversupply of highly skilled financial persons (for example, chartered accountants). The fact that the major auditing firms are currently profiting greatly from "exporting" financial knowledge (newly qualified CAs) to other countries supports this contention.
Financial reforms in the public sector have furthermore transformed the public sector into a specialist field, where the mere application of generic financial knowledge is no longer sufficient.

The above mentioned scenario is further fuelled by the fact that this exercise not only saves them (the private sector) big training expenses (now carried by the public sector), but it also allows the private sector financial services providers to improve their BEE-quotas.

How to turn the tide

The above scenario clearly shows that a long-term solution must be found for the public sector and implemented. The Southern African Institute of Government Auditors (SAIGA) is proposing such a solution.

The Southern African Institute of Government Auditors: Giving birth to the RGA

For the past number of years the Southern African Institute of Government Auditors (SAIGA) has been doing the groundwork that could allow a public sector Financial Skills Development Model (FSDM) to emerge. The time has now arrived for other role-players to actively contribute to developing and implementing this model.

Starting in 1997, SAICA underwent a strategic repositioning project. From this project a number of critical stepping stones emerged:

- The generic description government auditor was transformed into a specific designation and qualification: the Registered Government Auditor was given a professional identity.
- A solid educational basis was developed for the Registered Government Auditor (RGA).
- A specific and detailed Common Body of Knowledge and Skills (COBOKS) for Registered Government Auditors was formulated, in consultation with a number of strategic role-players.
- The Registered Government Auditor (RGA) designation / qualification was developed to match the private sector’s Registered Auditor (or the CA that followed the auditing route) but with added public sector competencies.
- The RGA professional qualification / designation was registered with both the South African Qualifications Authority (SAQA), and as a collective Trade Mark, with the Registrar of Trademarks.
- Universities were informed about the COBOKS for RGAs.
The Auditor-General should be more focused on the uniqueness of the Registered Government professionals of their training. With a few exceptions, chartered accountants sooner, rather than later, leave the Auditor-General to pursue their careers in the private sector.

Therefore, the private sector financial skills model also uses the Auditor-General to achieve higher returns. The Auditor-General is employing and training prospective candidates that initially have little knowledge of the public sector, only to lose most of these professionals to the private sector after the completion of training.

Again, the public sector is the loser. It should be evident that this situation needs to be addressed.

Implementing the Public Sector Financial Skills Model

If the proposed public sector Financial Skills Development Model (FSDM) is correctly implemented and applied, it will not only result in increasing the independence of the Auditor-General, but it will also provide a continued long term supply of financially skilled professionals to the public sector. This is exactly what South Africa needs.

A number of critical events have to be realized:

1. Public sector structures, the National Treasury and the Department of Public Service & Administration in particular, need to recognize the RGA as the highest professional accounting qualification and designation in South Africa’s public sector. Financial rewards have to be linked to this recognition.

2. More universities need to accept their social responsibilities and respond to the needs of South Africa’s public sector by also offering programmes that address public sector accounting (GRAP), and PFMA related concepts.

3. The development and employment of RGAs and those studying to become RGAs needs to be accelerated by the Auditor-General and the broader public sector. The recognition of RGAs by the Auditor-General and the broader public sector needs to be taken to the next level:
   - RGAs must be identified as preferred applicants for posts in the Auditor-General’s office and the broader public sector.
   - The Auditor-General should be committed to achieving employment targets for RGAs and this should be a major performance measurement criteria for the Auditor-General.
   - The unique knowledge and skills of RGAs must be financially rewarded, based on the RGA’s specific public sector skills.
   - In awarding contract work to private sector audit firms, preference must be given to those firms that have qualified RGAs in their staff component. The possession of RGA qualifications should be the major criteria in awarding contract work to private sector auditing firms.
   - The development of RGA potential must reflect in the granting of bursaries and other incentives by the Auditor-General and the broader public sector. Potential RGAs should be clearly preferred over applicants who merely wish to qualify as accountants.
   - The Auditor-General should be more focused on the independence of the Auditor-General.
Concluding remarks

With the constitutional and legislative infrastructure and procedures having been put in place, South African intergovernmental relations have within a very short space of time become more formalised instead of being conducted on a haphazard basis. Greater certainty has been introduced by the new legislative provisions and there is good reason to believe that in future role-players within each of the respective spheres of government will have an enhanced awareness as well as better insight as to what is happening elsewhere within the governmental structures. Accordingly, they will be in a position to act with greater consideration for the broader implications emanating from policy decisions and strategic designs. With the reporting and concomitant discussions, there seems to be less of a prospect that very relevant issues and contemplated actions will fade into oblivion. Government at the highest level will therefore become more prone to accept core responsibilities and to promote the cohesive performance of its respective spheres.

To address the public sector financial skills shortage, SAIGA has developed a unique public sector professional: the Registered Government Auditor (RGA). The syllabus of the RGA is public sector focused and incorporates concepts and approaches based on the PFMA, MFMA and the Treasury Regulations. Wider recognition of the RGA by specific role-players and the integration of the RGA concept in strategic approaches by specific public sector entities and universities will provide a continued long term supply of financially skilled professionals to the public sector. This is exactly what South Africa needs.

Who regulates unlisted public offers?

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16. Letter from the Registrar of Collective Schemes to Weavind & Weavind (attorneys of Sharemax Investments), 24 October 2003
17. See prospectus of De Marionette Centre Holdings, 18 August 2006, p. 30
18. See various marketing brochures, for example Clubview Holdings
19. See prospectus of De Marionette Centre Holdings, 18 August 2006, p. 30
20. Ibid, p. 1
21. Ibid, p. 35
22. Schedule 3 of the Companies Act, Act 61 of 1973
23. See various prospectuses including C-Max Holdings, Comaro Crossing, Montana Crossing, Daveport Square etc:

24. The disclosures required in terms of the Third Schedule are (partly at least) echoed in the disclosure requirements of the DTI. Also see note 28
25. Prospectus of C-Max Holdings, p. 1 and letter of Registrar of Companies to C-Max Holdings, 18 November 2003
26. See for example prospectuses of Comaro Crossing, Montana Crossing, Daveport Square etc
27. See for example prospectuses of Comaro Crossing, Montana Crossing, Daveport Square etc
28. Requirements: Minimum Disclosure to be contained in a property syndication disclosure document, Government Gazette No. 28960, pp. 6-14

Declaration of potential interest: Deon Basson is currently involved in litigation with Sharemax Investments (Pty) Ltd.

Aspects and Issues of Intergovernmental Relations (IGR):
A systemic perspective
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