



The PFMA:

Education & training challenges

Education & Training: the key to successful implementation of the new Public Finance Management legislation

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The event of the Public Finance Management Act (PFMA) has created a new dimension in financial management in the public sector. Although the two PFM Acts (No 1 and 29 of 1999) are only applicable to national and provincial departments, public entities, constitutional institutions and entities under their ownership control, the Municipal Finance Management Act (already in draft form) will introduce the same concepts to the third tier of government. Like the PFMA, the proposed local government legislation will also affect entities under the ownership control of the local governments and its sphere of influence will stretch much wider than currently realised.

The PFMA is already complimented by the Treasury Regulations and more supportive legislation is being added. The PFM legislation effects a paradigm shift away from administering public finances to actual financial management. Concepts introduced are highly sophisticated: risk management, performance measurement, performance reporting, effectiveness, efficiency in a financial management context, public sector GAAP (generally accepted accounting practice) - GRAP, cash management and many more.

The key to successful implementation of the above legislation therefore lies in effective, efficient and economical education and training (E&T).

The PFMA Implementation Guide published by the National Treasury also acknowledges this.

Unlike their private sector counterparts, legislation now places an obligation on public sector managers to manage according to the three E's (effectiveness, efficiency and economy); public sector managers have to apply systems of risk management and conduct their affairs transparent and accountable. They have to develop internal audit functions, audit committees and fraud prevention plans. Although many managers of private companies also apply the above-mentioned functions, their legislation (the Companies Act) does not even mention any of the above, let alone make it compulsory.

The above certainly puts the public sector on a different stage and conveys a strong message to the private sector.

It also poses major challenges to the public sector to provide the necessary training which will empower public managers and their staff to successfully implement the PFMA and fulfil the extensive responsibilities in terms of this legislation.

The key to successful implementation of the above legislation therefore lies in effective, efficient and economical education and training (E&T). The PFMA Implementation Guide published by the National Treasury also acknowledges this. In developing a E&T strategy the following points should serve as guidelines.

- Outside knowledge must be imported and brought into the organisation. Internal education and training initiatives have a number of limitations and are really only effective if they amount to new knowledge being disseminated. So someone has to get out and acquire new knowledge, techniques, etc. This is particularly important in the current scenario, as the PFMA introduces many new concepts which have not been operational before.
- When choosing to send your staff on courses, make sure you are dealing with reputable organisations that have existed for at least five years. A number of individuals have entered the E&T market, providing courses on certain *ad hoc* topics. Will they be around next year?
- Make sure the training base is South African!
- Use organisations who have experience in training for the public sector. Contrary to what private sector firms, seeking to enter the public E&T market, may say, there is a huge difference between the private and public sector.

- Make sure the training is PFMA-based. There is not shortage of courses on general financial management topics or those referred to as “financial management courses for non-financial managers”. Presenters of these courses are often not even aware of the PFM legislation.

A conference or so-called “workshop” is not an educational or skills transfer course. A number of speakers scheduled to talk for 45 minutes on some topic will not facilitate a skills and knowledge transfer. Its nice to listen to, but has little educational value.

- Avoid *ad hoc* courses which do not form part of some structured programme. Structured programmes minimise overlaps and provide consistent approaches.
- Do the courses strike a balance between an educational and practical basis? Are educationalist involved? Practitioners working on their own simply do not have the educational background and experience to structure and develop a course which is educationally justified. On the other hand, courses presented by academic institutions only are often not practical and provide little in terms of skills transfers.
- Organisations which provide participants with certification are preferable for obvious reasons.
- Economy is important, but good E&T is not cheap. A well-known and leading Institute charges R6,500

for a two-day course and participants do not even receive a certificate.

- Be careful regarding efficiency. E&T and efficiency are delicately balanced. If efficiency means quick or fast training to you, you will not be able to balance the two. Efficiency should be measured by comparing industry standards. Some organisations achieve the same in shorter time, but they too cannot build Rome in a day.

Avoid ad hoc courses which do not form part of some structured programme.

- Consider the motive of the organisation presenting a course. Private sector firms or individuals have a pure profit and commercial motive. Certain Institutes (non-profit orientated organisations) provide courses mainly as a means of contributing to society and to meet their social responsibilities.

Make sure the training base is South African!

- Lastly, spend some time in order to understand what the nature of the E&T opportunity is. A conference or so-called “workshop” is not an educational or skills transfer course. A number of speakers scheduled to talk for 45 minutes on some topic will not facilitate a skills and knowledge transfer. Its nice to listen to, but has little educational value.

Auditing SA



Interesting sites on the WEB

AuditNet is a free resource to the global audit community. The principle web address is: auditnet.org. The e-mail contact is: AuditNet-1@list.auditnet.org. In this issue of Auditing SA we highlight some useful links brought to the global audit community via Audinet.

Annual Percentage Rate Calculation Program for Windows (www.occ.treas.gov/aprwin.htm) is a free tool from the Comptrolle of the Currency that verifies annual percentage rates and reimbursement adjustments on loans secured by real estate or a dwelling.

Spreadsheet Risks (www.sysmod.com/spreads.htm) Web site is devoted to issues around spreadsheet standards for design, development and audit.

KeyAudit (www.keyserver.com.au/keyaudit.html) is a free Software Audit Tool that determines the status of Software License Compliance. Downloads available for Windows and Mac.

Key Server License Management (www.keyserver.com.au/) Web site provides software license management solutions for organizations. Site includes articles about software licensing, product information and a free software audit tool that determines the status of Software License Compliance

