



Programme Outline

PROGRAM PFMA ALIGNED TO UNIT STANDARDS:

119340	Apply economic principles to finance and management decisions
119348	Apply selected GRAP (Generally Recognised Accounting Practices) to periodic accounting reporting process
119340	Apply economic principles to finance and management decisions
119352	Apply principles of information systems to public finance and administration

This 3-day class will be conducted via zoom, on-line. All material, notes, extracts from the Act will be sent electronically to the students. They will also have the opportunity to interact with their own material should they wish to.

A POE will be sent to the delegates, and the facilitator will be available to assist the completion of the POE after the course has been completed.

Chapter Summary of the Act

Chapter One of the Act deals with definitions, objects, application and amendment of this Act. The Act will apply to national and provincial government institutions, which include national and provincial departments, and the entities under their ownership control. Key definitions to note are those of ownership control, government enterprises, main division within a vote, unauthorised, irregular and fruitless expenditure and wasteful expenditure. A procedure to amend this Act is included and is intended to prevent other Acts of Parliament from amending or inadvertently by-passing the provisions of this Act.

Chapter Two of the Act establishes the National Treasury, and deals with its composition, functions, powers and responsibilities. The National Treasury is comprised of the Minister and the national department or departments responsible for financial and fiscal matters. The Minister is empowered to delegate the day-to-day operations of the Treasury. The National Treasury is empowered to develop the overall macroeconomic and fiscal framework, co-ordinate intergovernmental fiscal relations and the budget preparation process, manage the implementation of a budget and promote and enforce revenue, asset and liability management.

The National Treasury is also empowered to determine a banking and cash management framework, and to require banks to provide information on the accounts of national and provincial institutions. The chapter also gives effect to section 213 of the constitution on the management of the national revenue Fund, any exclusions to depositing money received, and the authorisation required before incurring any expenditure.

Chapter Three establishes provincial treasuries and deals with their composition, powers and functions, and the management of provincial revenue funds.

Chapter Four on the budget process gives effect to section 215 of the constitution on the timing and



content of national and provincial budgets, and the reporting requirements that will promote greater transparency in the implementation of a budget. It outlines what adjustments budgets must deal with, and outlines the minimum content for multi-year budgets. This section also contains a clause on unfunded mandates.

Chapter Five ensures that all national and provincial institutions and entities have accounting officers, spells out their responsibilities and the disciplinary sanctions that will apply in the event of negligence in fulfilling these responsibilities. This chapter obligates accounting officers to produce monthly and annual financial reports for their political heads and accounting officers to prevent overspending on budgets. The shifting of funds between programmes (or main divisions within a vote) or virement is also dealt with in this part of the Act. Chapter Six of the Act ensures that all public entities are listed in two Schedules. Schedule 2 covers the major public entities, and confers maximum autonomy to these entities. Schedule 3 covers all the other public entities with lesser degrees of autonomy. This chapter outlines the fiduciary and other responsibilities of the governing boards of these entities, which are similar to the responsibilities of accounting officers.

Chapter Seven covers the responsibilities of Ministers and MECs, who are referred to as the executive authorities of departments and public entities.

Chapter Eight of the Act outlines general principles on borrowing and the issuing of guarantees. This chapter gives effect to section 218 of the Constitution on the issuing of guarantees. The chapter also regulates the borrowing operations of the national government and determines the person who can borrow on behalf of any national or provincial government entity. It makes illegal any other forms of borrowing or financial commitment, with strict sanctions applying.

Chapter Nine of the Act lists the areas over which the National Treasury is empowered to issue treasury regulations and instructions. It also obligates the appointment and composition of audit committees.

Chapter Ten of the Act defines financial misconduct, and deals with the procedures for disciplining those public officials guilty of financial misconduct. It also includes a provision for criminal prosecution to apply where there is gross financial misconduct.

Chapter Eleven establishes an Accounting Standards Board, which will have the power to determine generally recognised accounting practices for the public sector.

Chapter Twelve deals with transitional and other miscellaneous issues related to the implementation of this Act and when it takes effect. Some of the provisions of the Act cannot be implemented immediately, and may take up to five years to implement fully (e.g. the sections relating to consolidated financial statements). The transitional arrangements will allow the Minister to phase in such provisions.

The Act also gives effect to other sections in Chapter 13 of the Constitution. These sections are:

- a. Section 213 that limits exclusions and withdrawals from the National Revenue Fund through an Act of Parliament;
- b. Section 215 which notes that budgets and the budgetary process "must promote transparency, accountability and the effective financial management of the economy, debt and the public



sector" and for national legislation to "prescribe" budget formats for all the spheres of government;

- c. Section 217 on procurement to be "in accordance with a system which is fair, equitable, transparent, competitive and cost-effective;
- d. Section 218 on the conditions for the issue of guarantees by a government in any sphere;
- e. Section 226 that limits an exclusion from a provincial revenue fund through an Act of Parliament;
- f. Sections 100 and 216 on intervention by the national government when an organ fails to perform an executive function related to financial management, and circumstances under which funds may be withheld.

Composition of the National Treasury

The National Treasury is comprised of the Minister together with the national department or departments responsible for financial and fiscal matters. The Minister is the head of the Treasury.

Powers of the National Treasury

The Constitution confers extensive powers on national government to determine the financial management framework over all organs of state, in all spheres of government. National government must, through national legislation, determine uniform treasury norms and standards. The National Treasury is further expected to monitor and enforce these norms. The National Treasury, therefore, not only implements the budget of the national government, but also plays a financial over-sight role over other organs of state in all spheres of government.

Establishment of Provincial Treasuries- their Role and Function

This Act establishes provincial treasuries, which are responsible for preparing and managing provincial budgets, and enforcing uniform treasury norms and standards as prescribed by the National Treasury and this Act. Note that this chapter is excluded in the first bill as it applies to provinces, but was included in the second, section 76, amendment bill.

Accounting Officers

This Act confers specific responsibilities on accounting officers. The Act vests four key responsibilities, which are:

- a. the operation of basic financial management systems, including internal controls in departments and any entities they control;
- b. to ensure that departments do not overspend their budgets;
- c. to report on a monthly and annual basis, including the submission of annual financial statements two months after the end of a financial year; and
- d. to publish annual reports in a prescribed format which will introduce performance reporting. Accounting officers who are negligent and make no effort to comply with these responsibilities will face strict disciplinary sanctions, including dismissal. Similar sanctions will apply to treasury officials failing to carry out their responsibilities. The new Public Service Act regulations and the trend towards performance contracts will complement this approach. Accounting officers are expected to appoint chief financial officers as part of their senior management to enable them to fulfill these responsibilities.



Similar fiduciary responsibilities and sanctions are also outlined for the Boards (called accounting authorities) of public entities.

Voting by main division and virement

The Act requires parliament to vote by programme ("main divisions within a vote") rather than departmental votes. This will require further information on outputs per programme, and limit the powers of accounting officers to move funds between programmes. Such movement or virement is restricted to 8% of the total allocation for a programme.

Improved information and timely submission of financial statements

The Act aims to address the problem of the late submission of financial statements within government, to comply with the constitutional obligations for generally recognised accounting practices and greater transparency, and to improve financial management and accountability through better and more timely information flows. It establishes an Accounting Standard Board to determine generally recognised accounting practices for all spheres of government, including the local sphere.

Added to the provisions set above, are the special regulations and gazette updates related to Covid-19.

The course is designed to take the information direct from the Act to achieve the assessment criteria required by the unit standards mentioned above. Copies of the unit standards are added below.

119340	Apply economic principles to finance and management decisions
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Specific Outcomes and Assessment Criteria:

SPECIFIC OUTCOME 1

Demonstrate an understanding of the principles of economics as they apply to public finance.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

The economic cycle is explained in terms of recession, depression, recovery and boom

ASSESSMENT CRITERION 2

The concepts of demand, supply, equilibrium are explained and illustrated graphically

ASSESSMENT CRITERION 3

The concepts of nominal and effective/real are compared with reference to interest rates and GDP (Gross Domestic Product)

ASSESSMENT CRITERION 4



Central economic problems and characteristics of different kinds of goods are discussed with reference to the South African economy

ASSESSMENT CRITERION 5

The interdependencies among different sectors of the economy, markets and economic flows are illustrated

SPECIFIC OUTCOME 2

Distinguish between micro-economics and macro-economics.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

Concepts used to distinguish micro-economics and macro-economics are explained and clearly illustrated

ASSESSMENT CRITERION 2

The impact of micro-economics and macro-economics in relation to the activities of the South African economy are discussed

ASSESSMENT CRITERION 3

The various criteria used to measure the performance of the economy are explained with reference to selected macro-economic objectives

ASSESSMENT CRITERION 4

Apply trends of micro-and macro-economic environment to the public sector

SPECIFIC OUTCOME 3

Describe the use of economic indicators.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

The concept of inflation is explained in terms of headline inflation, core inflation, CPIX, deflation and disinflation

ASSESSMENT CRITERION 2

The concept of GDP is explained in terms of consumer expenditure, government expenditure, investment and export minus trade balance

ASSESSMENT CRITERION 3

The concept of interest rates is explained in terms of prime, money markets, repro and borrowing rates



ASSESSMENT CRITERION 4

The concept of an economic indicator is explained and an indication is given of the relationship between inflation, GDP, interest rates, money supply, debt, currency, current account, trade account, gold and oil

SPECIFIC OUTCOME 4

Utilise economic indicators, theories and principles to determine the current economic cycle and possible future directions.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

Illustrations and representations of economic theory is carried out in words, numbers, equations and graphs

ASSESSMENT CRITERION 2

Economic principles under supply and demand relationships are used to analyse developments in different markets

ASSESSMENT CRITERION 3

Individual consumer's choice between consumer goods and services is analysed in order to derive individual demand curve using utility theory

ASSESSMENT CRITERION 4

Basic production and cost concepts are applied in the analysis of the decisions of economic agents

119348	Apply selected GRAP (Generally Recognised Accounting Practices) to periodic accounting reporting process
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Specific Outcomes and Assessment Criteria:

SPECIFIC OUTCOME 1

Explain and apply the conceptual framework underlying GRAP.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

Overall objectives of public sector financial reporting are explained with reference to specific information needs of stakeholders.



ASSESSMENT CRITERION 2

The elements of public sector financial statements relating to the measurement of financial positions are identified and applied.

ASSESSMENT CRITERION 3

The elements of public sector financial statements relating to measurement of financial performance are identified and applied in the preparation of annual statements.

ASSESSMENT CRITERION 4

The elements of public sector financial statements relating to cash flow are identified and applied in the preparation of financial reports.

ASSESSMENT CRITERION 5

The need for conceptual framework and standard of financial reporting for the public sector organisation is clearly understood and applied.

ASSESSMENT CRITERION 6

Qualitative characteristics of financial information are identified and explained with reference to measurement issues.

SPECIFIC OUTCOME 2

Present separate periodic financial statements in accordance with GRAP.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

The statement of changes in net assets is presented.

ASSESSMENT CRITERION 2

The statement of financial position is presented.

ASSESSMENT CRITERION 3

The statement of financial performance is presented.

ASSESSMENT CRITERION 4

The statement of changes in net assets is presented.

ASSESSMENT CRITERION 5

The statement of cash flow is presented.

ASSESSMENT CRITERION 6



The notes in support of financial statements are presented.

ASSESSMENT CRITERION 7

Recognition and measurement criteria are understood and applied.

SPECIFIC OUTCOME 3

Explain selected statutory provisions related to financial reporting.

OUTCOME RANGE

Statutory provisions include but are not limited to various legislation instruments impacting on the Public Finance Management Act

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

The public financial management act disclosure requirements are identified and explained in the presentation of financial statements.

ASSESSMENT CRITERION 2

The treasury guidelines relating to financial reporting are explained in the presentation of financial statements.

ASSESSMENT CRITERION 3

The Municipal Financial Management Act disclosure requirements relating to financial reporting is explained in the presentation of financial statements, including annual reporting.

SPECIFIC OUTCOME 4

Analyse and interpret financial statements.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

The financial position and performance disclosed in financial statements are analysed.

ASSESSMENT CRITERION 2

The financial position and performance disclosed in separate financial statements are interpreted.

ASSESSMENT CRITERION 3

The cash-flow disclosed in financial statements is analysed.

119340	Apply economic principles to finance and management decisions
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SPECIFIC OUTCOME 2

Distinguish between micro-economics and macro-economics.

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Concepts used to distinguish micro-economics and macro-economics are explained and clearly illustrated

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The impact of micro-economics and macro-economics in relation to the activities of the South African economy are discussed

ASSESSMENT CRITERION 3

The various criteria used to measure the performance of the economy are explained with reference to selected macro-economic objectives



ASSESSMENT CRITERION 4

Apply trends of micro-and macro-economic environment to the public sector

SPECIFIC OUTCOME 3

Describe the use of economic indicators.

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The concept of an economic indicator is explained and an indication is given of the relationship between inflation, GDP, interest rates, money supply, debt, currency, current account, trade account, gold and oil

SPECIFIC OUTCOME 4

Utilise economic indicators, theories and principles to determine the current economic cycle and possible future directions.

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ASSESSMENT CRITERION 1

Illustrations and representations of economic theory is carried out in words, numbers, equations and graphs

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Individual consumer's choice between consumer goods and services is analysed in order to derive individual demand curve using utility theory



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119352	Apply principles of information systems to public finance and administration
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Specific Outcomes and Assessment Criteria:

SPECIFIC OUTCOME 1

Identify and describe the elements of management information systems (MIS) relevant to public finance management and administration.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

Relative merits of different hardware and applications architectures are evaluated

ASSESSMENT CRITERION 2

Features and opportunities of commonly used IT resources are explained.

ASSESSMENT CRITERION 3

The economic forces that have created an environment that foster e-commerce and e-governance are identified and discussed in relation to the public finance and administration sector.

ASSESSMENT CRITERION 4

The value and cost of information is described and evaluated.

ASSESSMENT CRITERION 5

Opportunities for the use of information technology in the public sector are identified with reference to implementation of information systems.

ASSESSMENT CRITERION 6

Problems associated with computer-based information systems in government are discussed and ways to overcome such problems are stated.

ASSESSMENT CRITERION 7

The different ways the web is used to communicate with different stakeholders are understood and applied to public administration.

SPECIFIC OUTCOME 2

Utilise information technology to aid management planning.



ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

The importance of an information system in the management planning, decision-making and control is discussed.

ASSESSMENT CRITERION 2

Different information needs are explained with reference to different management levels.

ASSESSMENT CRITERION 3

Communication problems in a range of public sector situations are analysed and recommendations made to correct them.

ASSESSMENT CRITERION 4

Information technology is utilised to enhance work productivity and provide for more expedient communications.

ASSESSMENT CRITERION RANGE

Information technology utilised to enhance work productivity includes but is not limited to emails, word processing, spreadsheets, presentation packages, databases

SPECIFIC OUTCOME 3

Assess and provide recommendations on the risk associated with information technology.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

Potential information technology risks are identified.

ASSESSMENT CRITERION RANGE

Areas of information technology risk include but are not limited to confidentiality of information, integrating of information, availability of information, information processing platforms and networks, denial of service/availability, unauthorized disclosure/modification of information, destruction of information, back-up of information

ASSESSMENT CRITERION 2

Scenarios around information technology risks are identified to establish the impact on public finance and administration processes.

ASSESSMENT CRITERION 3

Control measures and techniques are implemented and tested against all possible risks identified.



ASSESSMENT CRITERION 4

Service level agreements are drawn up with all information technology users to enable business continuity.

ASSESSMENT CRITERION 5

Controls are reviewed and updated on a timely basis as per policies and procedures.

ASSESSMENT CRITERION 6

Information security policy, standards and good practice procedures are identified and applied.

ASSESSMENT CRITERION 7

Regular back-ups in order to secure information are completed.

SPECIFIC OUTCOME 4

Utilise e-commerce and e-governance software to enhance work productivity.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

The concept of value chain analysis is used to identify opportunities for e-governance and e-commerce

ASSESSMENT CRITERION 2

Functions of e-commerce and e-governance software are understood in the context of improved service delivery.

ASSESSMENT CRITERION 3

Threats and related preventative measures to e-commerce and e-governance are described.

ASSESSMENT CRITERION 4

Internet and other web-based IT resources are described and used to enhance public finance and administration.