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## ***The Public Finance Management Act, No.1 of 1999***

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“The Public Finance Management Act has been amended to close gaps in reporting requirements and quality control . . . it has been effective in that it has kept government spending under control in a way that is ‘quite unprecedented’ internationally.”



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- Further definitions, acronyms used within this presentation, references & additional reading



# Executive summary - The Public Finance Management Act, No 1 of 1999

*(This is an abridged version of the full report which is available for internal use within your company.)*

*The PFMA is part of government's national strategy to improve financial management in the public sector*

# The Public Finance Management Act, 1999 (PFMA) is the cornerstone of public financial management in South Africa

## Introduction

- The purpose of the Public Finance Management Act, No 1. of 1999 (PFMA), is to promote good financial management within the public service in order to maximise service delivery through the effective & efficient use of limited resources
- The key objectives of the Act are to:
  - modernise the system of financial management in the public sector
  - enable public sector managers to manage, but at the same time to be held more accountable
  - ensure the timely provision of quality information
  - eliminate waste & corruption in the use of public assets
- The PFMA initially applied only to the national sphere, but was subsequently amended by the Public Finance Management Amendment Act, No.29 of 1999 to include the provinces
- The Act came into effect from 1 April 2000, giving effect to certain sections within the Constitution of the Republic of South Africa, Act No.108 of 1996 (the Constitution) that require national legislation to:
  - establish a national treasury & introduce uniform treasury norms & standards
  - prescribe measures to ensure transparency & expenditure control in all spheres of government
  - set the operational procedures for borrowing, guarantees, procurement & oversight over the various national & provincial revenue funds

# All constitutional institutions, national & provincial departments & public entities are subject to the PFMA

- The PFMA applies to:

- the national & provincial departments, & public entities under their ownership & control
- Parliament & provincial legislatures
- independent institutions established by the Constitution
- public entities

The PFMA applies to . . .

Constitutional Institutions  
(listed in Schedule 1 of the PFMA)

e.g:

- The Public Protector
- The Human Rights Commission
- The Financial & Fiscal Commission

All public entities  
(listed in one of two Schedules)

- major public entities are listed in Schedule 2
  - ❖ enjoy full managerial autonomy
  - ❖ government only able to intervene in its capacity as a majority or sole shareholder
- other public entities are listed in Schedule 3
  - ❖ enjoy lesser degrees of autonomy

Desired long-term outcomes of the PFMA include:

- *implementation of sound financial management systems & processes*
- *development of transparent budgeting processes*
- *effective management of revenue, expenditure, assets & liabilities*
- *timely, accurate reporting that reflects the actual financial & delivery situation*

# Chapter summary of the PFMA

## Chapter 1

Definitions, objects, application & amendments

## Chapter 2

Establishes the National Treasury:  
– Composition, powers, functions, responsibilities  
Management of National Revenue Fund

## Chapter 12

Transitional & other miscellaneous issues

## Chapter 11

Establishes Accounting Standards Board  
– Determines generally recognised accounting practices for public sector

## Chapter 3

Establishes provincial treasuries:  
– Composition, powers, functions  
Management of provincial revenue funds

## Chapter 10

Financial misconduct  
– Definition, disciplinary procedures

## THE PFMA

## Chapter 4

National & provincial budget process:  
– Timing & content  
– Reporting requirements  
– Adjustments  
– Minimum content requirements  
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## Chapter 9

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Appointment & composition of audit committees

## Chapter 5

Accounting Officers - national & provincial institutions:  
– Responsibilities, disciplinary sanctions, obligations  
Shifting of funds between programmes

## Chapter 8

General principles on borrowing & issuing of guarantees

## Chapter 6

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– Schedule 2: major public entities  
– Schedule 3: all other public entities  
Appointment of accounting authorities for public entities  
Fiduciary responsibilities of accounting authorities

## Chapter 7

Responsibilities of Ministers & MEC's

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**Report name:** The Public Finance Management Act 1999

**Pages:** 26

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