The Public Finance Management Act (PFMA)

The PFMA is one of the most important pieces of legislation passed by the first democratic government in South Africa. Its main objective is to promote good financial management within the public sector in order to maximise service delivery through the effective and efficient use of resources. The PFMA seeks to *"regulate financial management in the national government and provincial governments; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those governments; and to provide for matters connected therewith".*

The report provides public companies with a high level understanding of the manner in which they are expected to comply with financial management requirements. An analysis of the complex relationships within supply chains often shows evidence of public entities playing interchangeable roles within them, at different times being a supplier, a consumer, a regulator or an integrator, for example, and often in multiple roles. As such, it is important that private companies gain an understanding of the requirements under which their partners in the public sector operate, and of the expectations that - in turn - may be placed on them by the public sector. Furthermore, a link exists between the Regulatory Agencies being created by the Companies Bill, 2007 and the PFMA. Indeed, the PFMA or the Public Service Act, 1994 (PSA) may serve as the de-facto standard where there is conflict between the provisions of Chapter 8 (Regulatory Agencies & Administration of the Act) in the Companies Bill and the PFMA or the PSA.