4

FINANCIAL MANAGEMENT ISSUES

Introduction

Sound financial management is the effective allocation of resources and their efficient and economic utilisation to the optimal advantage of the community. This chapter focuses on ways of, enhancing the efficient utilisation of resources.

This is brought about by the following:

- Accountability and Chief Financial Officers: Identifying accountability, standards of performance with adequate structures to achieve this, evaluating performance (e.g. audit reports) and instituting corrective measures by the various oversight bodies.
- Capacity building: Identifying and addressing current and future training requirements, determining minimum competency levels and establishing of a School of Public Accounting and Economic Studies.
- Financial systems: The implementation and management of transversal financial administration systems to assist accounting officers in the execution of their responsibilities.
- Supply chain management: The introduction of supply chain management to bridge the gap between traditional methods of procuring goods, services and property, stock control and obsolescence planning whilst at the same time addressing the issue of economic empowerment.
- Cash management: Controlling the Provincial Revenue Fund and ensuring that there are at all times sufficient funds to meet expected expenditure.
- Accounting: Providing information on accounting policies and the challenges facing the implementation thereof.
- Contingent liabilities, including debtors: Providing information on the contingent liabilities and debtors of the Province and the challenges facing the future management thereof.
- Departmentalisation: Introducing the new departmentalisation model and assessing the financial implications and benefits relating thereto.

Each of the above is addressed more extensively below.

4.1 Accountability

Overview

Community expectations about public sector performance and conduct are, quite correctly, very high. In many ways, more stringent standards are applied to the public sector than elsewhere in society. Those working within the public sector therefore need to be mindful at all times of the trust put in them by the public they serve.

Unlike the private sector whose aim is to maximise profits, the public sector focuses on maximising service delivery to the community. The key to maximising service delivery is sound financial management. The aim of financial management in the public sector is the effective and efficient achievement of desired outcomes with limited financial resources. This is brought about by effective accountability.

This section aims primarily at increasing awareness of **accountability**, which affects everyone working in the Western Cape public sector. It highlights the responsibilities of individuals and the role they play in fulfilling community expectations of accountable government.

While it brings together a number of accountability obligations which exist in the public sector, this section may also serve:

- to assure the community that the public sector has comprehensive processes in place to maintain a high level of accountability.
- as a useful reference whenever accountability processes are reviewed or new ones proposed.

It is also important to note that the existence of effective accountability mechanisms is fundamental to good corporate governance in the public sector. This section therefore contributes to corporate governance and relevant management processes by highlighting accountability as a critical issue to all involved in public sector administration and the delivery of services.

Accountability is a relationship based on the obligation to demonstrate and take responsibility for performance in the light of agreed expectations. Definitions of the concept of accountability include the following:

> "By accountability is meant the imperative to make public officials answerable for their behaviour and responsible to the entity from which they derive their authority. Accountability also means establishing criteria to measure the performance of public officials as well as oversight mechanisms to ensure that standards are met" (ACAG, 2000).

All office holders have a *responsibility* that is defined by their authority. First and foremost, they are responsible the proper carrying out of their authority for the purposes for which it was given, getting the job done within the law and with respect for ethical values. And, should problems arise, they are responsible for correcting them and doing whatever is reasonable to ensure that they do not recur. The main focus is on performance and on continuous improvement, but the notion of accountability is very much part of responsibility. Accountability can be thought of as enforcing or explaining responsibility. Accountability involves giving an account to somebody who has authority over one, such as Parliament or a superior, of how or how well one's responsibilities are being met (including the actions of subordinates), on actions taken to correct problems and to ensure that they do not recur. It also involves accepting personal consequences for problems that could have been avoided had one acted appropriately.

The concept of accountability thus broadly encompasses who is accountable, to whom, for what, and how accountability is enforced.

Categories of accountability

Political accountability is defined as accountability to the institutions that provide the political legitimacy of the organisation, for example the chain of accountability that links a minister or MEC to Cabinet or the provincial executive council, to Parliament or the provincial legislatures and, ultimately, to the electorate. Managerial accountability refers to the chain of accountability that links individual public servants with the head of department, and the head of department to the Minister or MEC. Public accountability is accountability to citizens outside the public sector organisation and is a combination of ultimate political accountability and client accountability, since citizens are normally the intended recipients of public goods and services. Other accountabilities may include the professional accountability of staff to their professional peer group.

One of the major themes of public sector reforms is "letting managers manage", i.e. devolution of authority to managers coupled with increased accountability. A critical tenet of the managerial models of accountability underpinning recent international reform initiatives is that those with the delegated authority are answerable for producing outputs or the use of resources to achieve certain ends. This is promoted through the specification of outcomes, outputs and performance targets, accompanied by formalised controls over inputs and processes. The focus tends to be on programme accountability (whether the desired results have been achieved) and fiscal accountability (whether funds are spent as appropriated), rather than on procedural accountability (whether certain processes have been complied with) (Vitanen, T 1997). The Public Finance Management Act, Act 1 of 1999, reflects this philosophy.

Legislative framework

In terms of the Constitution of the Republic of South Africa, Act 108 of 1996, (*"the Constitution"*) the three spheres of government are made the stewards of public resources in the public interest rather than in the interests of individuals and interest groups. This fiscal accountability refers not only to avoiding financial irregularities such as fraud and corruption by exercising financial controls, but also to achieving value for money (the effective, efficient and economical use of financial resources).

The Constitution also envisages the separation of the powers of the legislative, executive and judicial branches of government as a system of checks and balances. It assigns separate responsibilities and accountability to each of them.

Prior to the commencement of the Public Finance Management Act, 1999, on 1 April 2000, the accounting officer for the Provincial Administration Western Cape was the Director-General. This was determined in terms of the Western Cape Exchequer Law, 1994. The Public Finance Management Act ("the Act") was promulgated pursuant to section 216 of the Constitution, in terms of which national legislation had to be passed for purposes of establishing a national treasury and prescribing measures to ensure transparency and expenditure control in each sphere of government by introducing (a) generally recognised accounting practices, (b) uniform expenditure classifications and (c) uniform treasury norms and standards.

In terms of section 36, read with section 49, of the Act, every department and every constitutional institution must have an accounting officer who is the head of the department or the chief executive officer of the constitutional institution. Every public entity must have an accounting authority in the form of the board, controlling body, chief executive officer or other person in charge of the public entity, as the case may be.

Section 38 sets out the general responsibilities of accounting officers, and their responsibilities relating to budgetary control and reporting are set out in sections 39 and 40 respectively. The statutory obligation of accounting officers to submit all relevant information to the Treasury or the Auditor-General, as prescribed or required, is enshrined in section 41. Whenever assets and liabilities are transferred to another department or an institution, the two accounting officers concerned must comply with the provisions of section 42.

While provincial MECs are responsible for policy matters and outcomes, including the approval and adoption of the relevant department's budget vote, accounting officers are responsible for outputs and budget implementation to ensure the desired outcomes. As such, accounting officers are accountable to provincial legislatures for the management of the implementation of their departments' budgets.

Accounting officers may face disciplinary sanctions, including dismissal, if they fail to comply with their responsibilities.

Section 44(1) empowers accounting officers to delegate in writing any of the powers entrusted or delegated to them in terms of the Act, to an official in that department or constitutional institution or to instruct any official in that department or constitutional institution to perform any of the duties assigned to the accounting officer in terms of the Act.

Although section 44(2) provides that an accounting officer is not divested of the responsibility concerning the exercise of the delegated power or the performance of the assigned duty, officials acting under a delegation or assignment of power in accordance with section 44(1) must also comply with the provisions of the Act to the extent applicable to that official (section 45(d)).

Similar provisions applicable to accounting authorities are detailed in sections 49 to 57 of the Act.

It follows that both the accounting officer/authority and the official performing a delegated or assigned power or duty are coresponsible and accountable for exercising or performing that power or duty in accordance with the provisions of the Act. The official is primarily accountable to his or her accounting officer/authority, while the accounting officer/authority remains accountable to his or her provincial minister and, ultimately, the provincial legislature.

In fact, no official whose area of responsibility includes compliance with any of the provisions of the Act, whether or not it entails acting under a delegated or assigned power, can escape the chain of accountability and the consequences of failure to act in accordance with the provisions of the Act and the Regulations issued in terms thereof. As in the case of accounting officers/authorities, such failure may give rise to disciplinary action against the official. Depending on the circumstances, the official's conduct may likewise result in dismissal.

In this regard it is important to bear in mind that the Disciplinary Code must be consulted in the event of disciplinary action against officials based on a contravention of the provisions of the Act. Insofar as non-compliance with the Act may also constitute a transgression as contemplated by the Disciplinary Code, accounting officers and officials may have to answer to a variety of charges based on a single transgression.

Chapter 10 of the Act deals with the circumstances in which the conduct of accounting officers/authorities and other officials would constitute financial misconduct. An official, however, can only be held to have committed financial misconduct if he or she wilfully or negligently fails to exercise a power or perform a duty assigned to him or her by the accounting officer in terms of section 44(1) or by the accounting authority in terms of section 56(1).

The national legislative framework is completed by the National Treasury Regulations and supplemented by the provincial Treasury Instructions, circulars and other policy documentation issued by the national and provincial Treasuries and aimed at improving and enhancing compliance with the nationally determined norms and standards.

Mechanisms of Accountability

Mechanisms of accountability can either be internal or external to the public sector organisation. They can also be formal or informal. Internal accountability refers to accountability to principals within the boundaries of the public organisation, e.g. to immediate superiors, top management and fellow workers. External accountability refers to principals within the organisational operating environment, e.g. clients, the Auditor-General, the colleagues of one's profession, a MEC and the legislature.

Formal accountability mechanisms include financial and performance management systems, the publication of annual reports and audited financial statements, performance reviews, protocols for promotion, disciplinary proceedings or other measures which create incentives or sanctions. Informal accountability mechanisms would include peer pressure, organisational culture and reputation. Adequate formal systems of financial and performance management are necessary to achieve a culture of accountable governance, but they are not sufficient. The values and ethics of individuals are also crucial in ensuring accountability and integrity in the public sector.

International best practice suggests that it is important for the top management of public sector organisations to take the lead in promoting accountability through personal responsibility and demonstrating by example. It is equally important that each civil servant behaves accountably within his or her area of authority. This thinking is reflected in section 45 of the Act, in terms of which each official is accountable for the effective and efficient use of public resources within his or her area of responsibility.

Principles of effective accountability include:

- Clear definition of roles and responsibilities;
- Clarity of performance expectations;
- Balance of expectations and capacity [(i.e. performance expectations must be clearly linked to and be commensurate with capacity (authority, skills and resources) of either party to deliver)];
- Credibility and transparency of reporting on performance achieved;
- Reasonableness of review and feedback, where achievements and difficulties are recognised and corrections made (OACG, 1998).

The principles of effective accountability demonstrate that, in order to ensure accountability for the use of government resources, formal budgeting, financial and performance management systems and human resource management will be required, as well as changes to the culture of public sector organisations and the individuals who comprise them.

This therefore requires not only compliance with the requirements of the Act, but also a genuine desire among all officials, at all levels, to comply with the spirit of the Act, namely to utilise provincial resources effectively and efficiently on an individual basis. This may take time, but it is most certainly a challenge that must be overcome.

In the short term, some measure of the success of the above ideal will be the frequency of reported cases of unauthorised, irregular, fruitless and wasteful expenditure through shortcomings identified and reported on by the Auditor-General, the Audit Committee, the accounting officers/accounting authorities and other officials in the organisation.

Oversight functionaries

The effectiveness of oversight functionaries (listed below) also largely determines the level of efficiency and effectiveness in the utilisation of resources, and therefore the value of the oversight functionaries cannot be overemphasized. It is imperative that each oversight functionary notes this and takes decisive steps to be effective in their respective roles. However, they should as far as possible also assist accounting officers/accounting authorities in achieving their objectives so that they do not only focus on punitive measures.

While each oversight functionary has a unique role to play, the following functionaries together have the role of ensuring effective accountability, effective evaluation of performance and effective consequences (corrective action), which are essential ingredients for good financial management. This, together with the duties performed by accounting officers/authorities (i.e. compliance with the spirit of the Act), will achieve the ideal referred to above. The oversight functionaries are:

- The Standing Committee on Public Accounts

  This committee interrogates and investigates, and subsequently passes resolutions on, matters reported on by the Auditor-General and by other functionaries. The committee is the last link in the accountability chain and should focus on matters that previous links in the chain have failed to resolve.

  Performance results as against predetermined objectives must be included in departments' annual reports to be submitted to the committee, who would then be able to evaluate departmental performance in achieving planned outputs, and hence progression towards desired outcomes. This measure satisfies the constitutional requirement of accountability and transparency.

  The committee, in terms of section 25 of the Constitution of the Western Cape, 1997, may, *inter alia* summon any person to appear before it to give evidence or to produce documents, and may require any natural or juristic person or provincial organ of state to report to it. The committee may recommend sanctions against accounting officers/authorities ranging from salary deductions or demotion to dismissal. It is, however, up to the Executive Authority to act on these recommendations after following due process.

- The Auditor-General

  The Auditor-General uses the norms and standards derived from the Public Finance Management Act and other financial legislation to audit compliance by accounting officers/authorities. Audits are conducted in accordance with the Statements of South African Auditing Standards, which require the Auditor-General to plan and perform audits to obtain reasonable assurance that departments' financial statements are free of any material misstatement.

  An audit includes (a) an examination, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements, (b) an assessment of the accounting principles used and significant estimates made by management, and (c) an evaluation of the overall financial statement presentation. An audit also includes an examination, on a test basis, of the evidence supporting compliance in all material respects with the relevant laws and regulations applicable to financial matters.

  During the last three years the percentage of qualified Auditor-General's reports has dropped from 47% in previous years to 30% in the 2001/02 financial year. All departments must strive to achieve unqualified Auditor-General's reports. It is also the responsibility of accounting officers/accounting authorities to take appropriate steps to ensure that qualifications contained in the reports or concerns or queries raised by the reports do not resurface in subsequent reports.

- Audit Committees

  The Western Cape Provincial Cabinet approved on 14 August 2002[1] that three different Audit Committees should be established in the Western Cape Provincial Administration, one for each of the Departments of Education and Health[1] and one for the other departments. It also resolved that the establishment of an Audit Committee for the Department of Social Services and Poverty Alleviation should be investigated.

  The Audit Committees report to the respective accounting officers, who are then required to take corrective action. Each committee is responsible for evaluating whether Internal Audit performs satisfactorily by ensuring that:
  - Internal Audit achieves their performance goals;
  - risks are identified;
  - specific issues requiring attention are highlighted;
  - the cost of auditing is minimised;
  - the services of the auditing function are optimised.

  Each committee must ensure that systems of accounting and financial control are established and maintained to manage financial risk and that effective internal monitoring systems are in place so that the objectives of the organisation are achieved without unacceptable risk. The committees must

[1] Provincial Cabinet Resolution 274/2002

also ensure that laws, regulations, treasury instructions and policy statements are complied with and that appropriate procedures are in place to address any fraudulent or corrupt activities affecting the organisation.

The committees investigate any matters referred to it by the provincial Cabinet. In doing so, the committees must maintain free and open means of communication between the Auditor-General, Internal Audit and provincial management.

Further reference is made to Audit Committees and Internal Audit in section 5.7 of this chapter.

- The provincial Treasury

  The provincial Treasury promotes sound financial management by enhancing the national norms and standards (which are encompassed by the Public Finance Management Act and the National Treasury Regulations) by issuing provincial Treasury Instructions, as well as financial best practices via the use of circulars and policy documents.

  As an oversight functionary the provincial Treasury further promotes sound financial management by ensuring compliance with those norms and standards and the proper implementation thereof in departments/public entities by accounting officers/authorities. It is important for the provincial Treasury to obtain essential information and to interpret the information properly for purposes of fulfilling its oversight role.

  The provincial Treasury also recognises the need for it to act as a change agent (catalyst) to ensure that various role players interact effectively within the scope of their responsibility, which in turn is bound to result in the effective and efficient management of revenue, expenditure, assets and liabilities (*"REAL"*) within departments and public entities.

Way forward

Compliance with the national and provincial norms and standards will result in sound financial management through the effective and efficient utilisation of resources of provincial departments and provincial public entities. This will also result in:

- unqualified consolidated financial statements for the provincial government (accrual basis);
- unqualified financial statements for provincial departments (accrual basis);
- provincial public entities being regulated;
- sound financial management systems and processes;
- timely provision of quality management information.

Ultimately, the benefits offered by the Public Finance Management Act, 1999, are dependent on the will and ability of accounting officers/authorities to comply properly (substantive compliance) with its requirements. The combined successes of the various oversight bodies in ensuring that accounting officers bring this about are equally important. The challenge thus is for each relevant functionary (whether an accounting officer, an official utilising the resources of a department/public entity or an oversight body performing its relevant functions) to fully comprehend the importance of their particular role in ensuring substantive compliance with the norms and standards. For example, oversight bodies should reflect on whether they are making a real and noticeable difference in improving service delivery and ensuring the more efficient utilisation of limited resources. Where this is found lacking, it should be addressed urgently. Dedicated focus by all relevant role players is required over the next few years for a marked improvement.

4.2 Chief Financial Officer (CFO) responsibilities and structures

Overview

The first and foremost area that needs immediate attention in addressing the standards of financial management in the public sector is improving the effectiveness of CFOs and their support structures. It is recognised that the quality of financial management in public sector organisations is directly related to the ability of Accounting Officers to recruit and retain competent chief financial officers, finance support staff and programme managers. The approach of management for results, with its associated flexibility in the use of resources but greater emphasis on accountability, will enable accounting officers together with their CFOs to achieve the agreed outputs of each department with an appropriate standard of financial management.

The role and responsibilities of the CFO

There is clearly a need to revisit the role of the CFO in departments. CFO appointees should be high-calibre individuals with:

- Credibility with senior managers in the department
- Relevant experience at a senior management level
- Demonstrated capacity to interpret, analyse and present complex information
- Capacity to bring independent and impartial advice into departmental decision-making
- Direct access to the accounting officer.

The CFO must combine timely, materially accurate, relevant, complete and suitably presented financial results and trends with interpretative professional advice. In addition, he or she must play a major role in preparing strategic plans and ensuring that best practice is followed. The CFO must have the appropriate infrastructure and staff to allow sufficient opportunity to provide analysis, interpretations and appraisals that will assist and improve decision-making in the department.

Within a department, the role of the CFO is:

- To respond to changing needs for financial information and advice
- To undertake product and service costing tasks
- To meet reporting requirements (for example, monthly reports and annual financial statements)
- To assist with the formulation of medium-term objectives, policies and strategies in support of the strategic and operational plans of the institution
- To consider the financial impact of departmental outputs aimed at providing economical, efficient, effective and appropriate services
- To ensure proper planning for the acquisition of assets, including the need to consider alternative strategies to achieve objectives
- To implement and maintain an effective and efficient system of risk management and of sound internal controls.

- To oversee all financial management activities of the institution, including managing accounting and finance staff

In pursuance of the above, the following is recognised as critical areas of CFO performance:

Capacity building

Planning and budget management:
- Budgeting
- Expenditure
- Revenue

Asset management:
- Planning
- Procurement
- Provisioning
- Property and inventory management
- Financial assets

Supply chain management

Liability management:
- Debtors
- Creditors
- Risk management
- Internal control
- Internal audit

Accounting and accountability:
- Delegations and instructions
- Accounting
- Reporting
- Disciplinary actions
- Integrity of financial information and systems

The above are critical areas, but mere mechanical execution of the responsibilities is not enough. For each of the above, the CFO needs to interpret the inherent dynamics, e.g. instead of doing a mere budget coordination exercise, they need to challenge the objectives set, i.e. will they achieve the desired outcomes, and will service delivery be truly enhanced by augmenting the budget through innovative revenue initiatives and management, including sound debtor administration. In addition to this, performance of the concept of cost centres should be enhanced and benchmarked. CFOs also need to look at maximising delegated powers at the right levels to enhance effectiveness, while at the same time having good control and reporting mechanisms for effective accountability. To achieve this, CFOs must not only think innovatively and with greater vision but start encouraging and developing this in their support staff. The CFO is a manager with specific responsibility to the finance component, but like any other manager he or she may not abrogate line function manager responsibilities. All finance staff would work towards the CFO, whose independence would be the same as that of any other manager. It is fundamental that accounting officers support their CFOs and enhance their profile in the department to allow the CFO to become the champion of higher standards of financial management. Accounting officers and CFOs should form a partnership in promoting the benefits of the PFMA.

Clients of Chief Financial Officer

The Chief Financial Officer does not operate on his or her own nor unattached to management. Successful financial management is the result of a collective conscious effort from everybody in the organisation, as guided by a technically trained and proficient Chief Financial Officer who is objective and performs his or her duties with due professional care. In this regard the Chief Financial Officer, through effective service delivery, must establish relationships with clients on a basis of integrity, reliability, objectivity and usefulness. These core values must be evident in the relationship with the following clients:

- Accounting Officer
- Programme Managers
- Internal audit and the Audit Committee
- External Audit
- Budget Committee/Top Management
- Premier's Office, relevant MEC and Cabinet
- Portfolio Committee
- Joint Standing Committee on Public Accounts
- Treasury
- Public Entities.

Achieving these core values requires adequate education and training and maintaining the highest possible degree of professionalism in the delivery of financial services.

Qualifications, core competencies and skills required for CFOs

A bachelor's degree in finance, accounting and economics should be the minimum academic qualification for CFOs. However, employers increasingly seek qualified chartered accountants or graduates with a masters degree, preferably in economics or accounting. These academic programmes develop analytical skills and provide knowledge of the latest financial analysis methods and technology. In addition, CFO's should also have at least five years management experience in finance.

Against the background of the role and responsibilities of CFOs, it is recognised that they should preferably be technically trained and proficient in at least the following subject areas:

- Strategic management
- Business planning and design
- Performance measurement
- Financial accounting

- Management accounting
- Internal control
- Internal and external audit
- Information systems
- Economy
- Negotiation skills
- Communication skills
- Analytical skills.

Criteria for establishing posts of CFO

The following should be borne in mind when establishing posts of CFO:

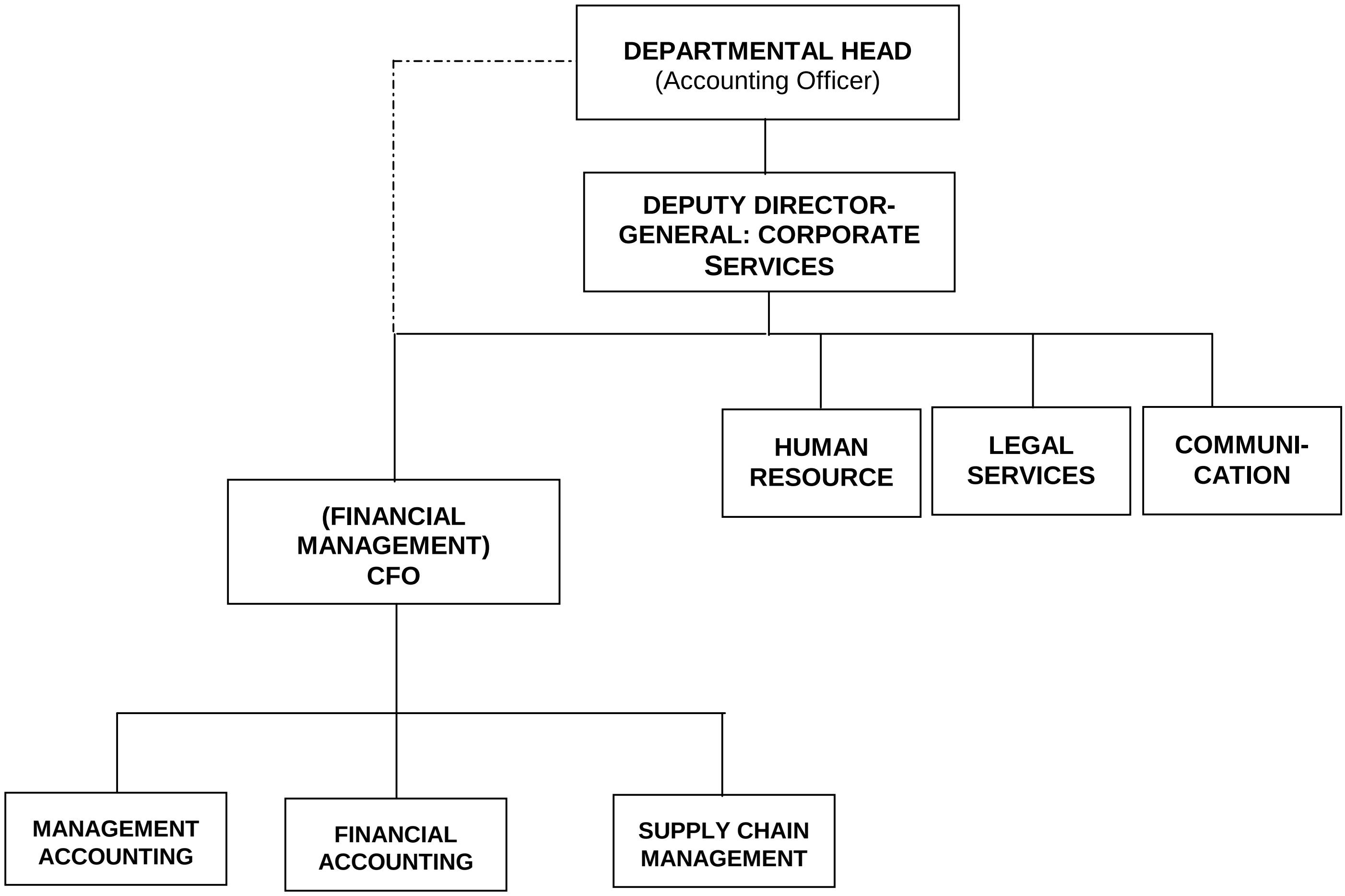
- Must be appropriately placed in the hierachy of the organisation to allow for direct accountability to the accounting officer.
- Must be established at a level which will allow authority over financial affairs.
- Position should not be linked to the size of the budget.
- Must have responsibility for establishing measures for proper financial management and authority to implement them.
- Must be included in the top management of the institution.

The CFO must have an appropriate support structure and competent staff to allow him or her sufficient opportunity to provide analyses, interpretations and appraisals that will assist and improve decision-making in the institution.

The following are examples of organograms reflecting the ideal placement of CFOs together with their support structure. Experience has shown that CFOs are more effective when reporting directly to the accounting officer. The standardisation of the CFO support structures should be centred around these models.

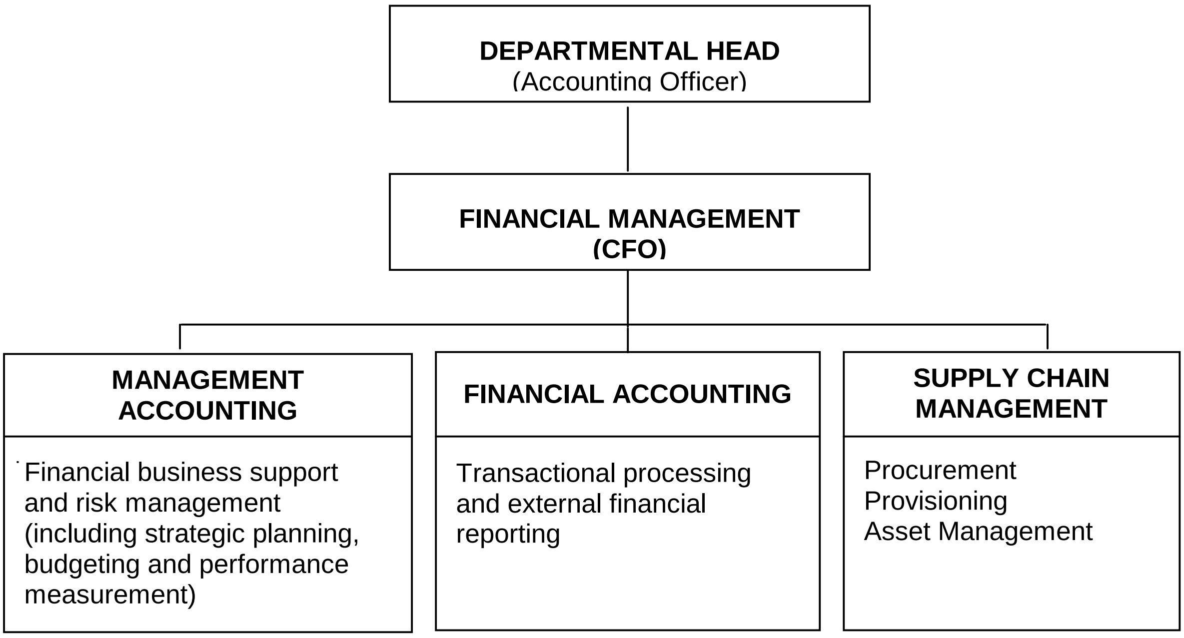
Example 1

CORPORATE AFFAIRS



Example 2

FINANCIAL MANAGEMENT



4.3 Capacity Building

Overview

The past seven years have been characterised by a number of restructuring processes. This resulted in the loss of skilled and competent personnel through the introduction of voluntary severance packages. Furthermore, stipulations in the Public Finance Management Act, 1999, place accountability with the heads of departments, resulting in the decentralisation of certain core responsibilities to departmental level.

The Western Cape Government realised that, in order to be successful in improving service delivery, it had to adapt to the changing work environment. It therefore made a commitment to human resource development. A formal financial training component, broadly operating under the auspices of the Western Cape Administration Academy, was established in the provincial Treasury during 1995. Its vision was to supply functional financial training in a professional manner to ensure excellence in financial, personnel and provisioning administration. Since 1995, a total of 12 700 officials have been nominated to attend 24 courses, 9 practical seminars, and information sessions.

Training needs growth

In the document *Training Framework for Government Finance Staff: IPFA 2001* the conclusion was drawn that there are significant gaps in competence levels of middle and senior management with regard to current and future requirements of legislated transformation.

In order to stay abreast of the demands made by the 21st century on managers in general, chief financial officers and treasury officials, a training programme should be developed to enhance their skills and competencies in analytical abilities, problem solving, performance management, etc.

Furthermore, the Public Finance Management Act, 1999 (Act 1 of 1999), places responsibilities on officials which have a direct impact on the management principles they are required to comply with.

With the departure of large numbers of skilled and experienced financial functionaries taking the voluntary severance package, a skills gap in the operation and maintenance of financial systems (FMS PERSAL and LOGIS) led to a decline in the quantity and quality of services that the provincial Treasury was in a position to render. To remedy this situation a strategy of delivering functional training on the various systems was embarked upon.

The aggressive marketing, regular updating of training material on the latest Acts, prescripts and best practices, the development of new courses to satisfy user demands and the professional ethos of the training component resulted in an explosion in the demand for training.

New training material was designed in an outcome-based, modular format and includes the latest policies and procedures.

The range of courses was expanded, with the focus on functional training in the work environment.

The value of the new range and format of courses was very evident from the greater response to the need analysis that was done to determine the demand for training by departments.

The pace of legislated transformation has had the effect that the output of suitably qualified individuals is not sufficient to provide for the medium- and long-term needs of both private and public sector organisations and the dynamic demands being made on them.

Under these circumstances the creation of a learning-orientated organisation and a culture of learning and the adoption of a philosophy of life-long learning become imperatives.

The establishment of a world-class learning centre at the Western Cape Administration Academy at Kromme Rhee that earns local and international respect is envisaged.

Current resources

The approved personnel of the current training component within the provincial Treasury has expanded to twelve trainers and two administrative personnel under the supervision of a deputy director. It is currently presenting a range of 24 formal courses and nine practical seminars.

New training facilities were put into service, consisting of three computer rooms accommodating 10 students each and one standard training room accommodating 20 students situated at 4 Dorp Street, Cape Town. In addition, a computer room accommodating 10 students is available at Kromme Rhee. The facilities in the training component were also upgraded with the latest technology in the form of laptop computers, electronic video projectors, colour printers, a scanner and a laminator.

Legal framework for training

Human resource development is highlighted in the following legislation and other relevant policy directives:
- The Constitution, 1999
- Public Finance Management Act, 1999

- Public Service Act, 1994
- Labour Relations Act, 1995
- Employment Equity Act, 1998
- Basic Conditions of Employment Act, 1998
- Skills Development Act, 1998
- South African Qualifications Authority Act, 1995
- White Paper on Transformation in the Public Service
- White Paper on Affirmative Action in the Public Service
- White Paper on Service Delivery in the Public Sector (Batho Pele)
- White Paper on Education and Training
- White Paper on Human Resource Development.

Requirements vs current position

A key area in the provision of an effective and efficient professional Human Resource Development service is the availability of suitably qualified and trained personnel. With the present skills levels of the training facilitators the component is in a position to accommodate current training requirements. The training facilitators were accredited by various role players to present selected courses on their behalf. All the training facilitators were accredited by financial sector education and training (FASSET) as registered assessors, which enables them to drive the assessment process individually. However, the future vision will require more highly skilled personnel with a different set of competencies. This would enable the component to register as an accredited learning centre and an accredited assessment centre.

All course material was reorganised into an outcome-based format to comply with accreditation requirements of the South African Qualification Authority and the National Qualification Framework via the Financial Sector Education and Training.

The training manuals were designed to be user-friendly, include various practical exercises and workbooks, and can be used in the work environment as a work procedure guide and reference book. The modules were further designed to provide “just in time” training to students in a simulated work environment. Computer courses simulate live systems and an actual work environment and training databases provide the opportunity to work on a simulated live system.

The course material allows for various forms of assessment to ensure that the training provided is of a high standard and that the transfer of skills and competencies has in fact taken place. The first phase of an evaluation and follow-up framework has been implemented whereby managers will be informed about student satisfaction with the course and whether they have mastered the course content.

The second phase will provide information on the application of skills and competencies acquired and the impact on the performance of the student back in the workplace.

The Institute for Public Finance and Auditing (IPFA), funded by FASSET, introduced two learnerships to uplift accounting skills in the public sector. These learnerships will be piloted in the Department of Finance, whereafter it will be rolled out to the other departments.

The successful completion of these learnerships will lead to a Certificate in Public Sector Accounting (NQF level 5) or a Diploma in Public Sector Accounting (NQF level 6).

The component's training priorities can be divided into the following categories:

- Functional training concentrating on systems training
- Fiscal strategic management training focusing on finance and economic management skills development
- Qualification training focusing on the administration of bursaries to promote a higher level of professional qualifications in the provincial Treasury.

The first step would be the reorganisation of the component at directorate level, with the necessary infrastructure to drive this process successfully. The re-organisation of the component would include a dedicated research and development component and a vocational development component.

The training component empowers the Western Cape province to act as change agent that can enhance the skills and competencies of other provinces, in particular the Eastern Cape and the Northern Cape.

As already mentioned, the component is currently utilising five training rooms. The new vision requires the establishment of a dedicated campus or learning centre. This would entail more classrooms and other facilities with a view to expanding the facilities as and when the vision is realised. These facilities would include computers and related equipment as well as other support facilities.

Way forward

The following long-, medium- and short-term requirements will mark the capacity building restructuring processes. It should, however, be noted that the responsibility for ensuring that adequate capacity building takes place in departments is primarily that of accounting officers. Competency profiles being developed by departments will go a long way in assuring this.

- **Long-term**

    - The creation of a culture of life-long learning through:
        - Implementation of a workplace skills plan
        - Recognition of prior learning
        - Implementation of qualifications education and learnership programmes
        - Implementation of a quality assurance system (accreditation, assessment, moderation and certification).

- The provincial Treasury to become a true learning-orientated organisation by recognising that learning should take place at all levels for all employees and is to include this goal in its strategy, structure and culture.

- The envisaged establishment at the Academy, in consultation with the key role players and with the support of the Board of the Western Cape Administrative Academy at Kromme Rhee and the provincial Cabinet, of a School for Public Accounting and Economic Studies. The school should provide for short courses in finance, economics, analytical, interpretative, functional and competency-based education and training programmes that will all lead to a nationally recognised tertiary qualification registered at NQF level 7.

- The development and implementation of a promotions policy directly linked to development in which the progress of individuals is linked to the successful completion of various competency modules and learnership programmes, without which upward mobility would be impaired.

- **Medium-term**

  - Establishment of an effective human resource system that addresses performance management, attracts and retrains highly skilled personnel, and implements learning and career paths for all personnel.

  - Strengthening the management capacity of training and development within the provincial Treasury.

  - Designing, financing and developing a learning centre.

  - Implementing a development strategy through the expansion of course programmes based on the needs of the target market.

- **Short term**

  - Developing a training policy.

  - Identifying the target market and setting training priorities at all levels.

  - Registering as an accredited learning and assessment centre.

  - Providing functional financial training through the presentation of accredited short courses structured in a modular outcomes-based format and presented by accredited training officials.

  - Creating a component responsible for vocational development through the implementation of a workplace skills plan based on the minimum competency levels linked to each post.

  - Restructuring the component to provide for research and development.

  - Implementing a computer-based training system.

Requirements

In terms of what is required to achieve these objectives, the need for the required funding, personnel and leadership stands out. Management decisions relating to the expansion of the component, the envisaged course programmes and the establishment of a human resource development philosophy become indispensable. This is also based on the provincial Treasury's ability to develop and accept an inclusive value-driven approach to human resource development.

Resources and how to achieve them

What needs to be put in place is the development of facilities at an institution such as the Academy at Kromme Rhee, the ideal budget that would provide for an appropriate percentage of the provincial Treasury personnel expenditure, and the fiscal policy that would make this possible. Management throughout the provincial Government needs to buy into this vision and the processes which drive it.

Training providers

In order to deliver effectively on the ground, the recruitment of suitably qualified human resource development practitioners and a working relationship with all providers of training, including the five tertiary institutions in the Western Cape, become necessities. Among these the Departmental Training Committees, Cape Administrative Academy, the National Treasury, the South African Management Development Institute (SAMDI), the Provincial Training Bodies, the external training providers, the tertiary education institutions, IPFA and other professional training and education councils and bodies, relevant civil society stakeholders and business organisations, financial and procurement personnel and the Senior Management Service of provincial departments are the important role players.