To bring about the South Africa envisioned in our Constitution, and to achieve government’s national priorities of economic transformation, inclusive growth, and efficient public service delivery, we need good public financial management.

Sound management of public finances across national, provincial and local government means the transparent, economic, efficient and effective use of public resources. As numerous reports by the Auditor-General and other institutions have shown, a great deal of progress is needed before we achieve such an ideal state, primarily owing to the lack of sufficient public financial management capability.

The goal of this capacity development strategy is to overcome a complex array of challenges and transform public financial management.

Sound and transparent management of public finances is our permanent constitutional obligation, and it is even more important given the present international environment. Volatility and imbalances in the world economy stemming from the global financial crisis have placed governments everywhere under enormous fiscal pressure. South Africa must work to carefully manage every rand spent, and to obtain greater value for money.

The strategy sets out a sustainable national intervention. The immediate goal is to overcome the challenges facing local government, provincial and national departments. As the strategy unfolds, it will be progressively expanded to include public entities.

The strategy supports the Presidency’s initiatives to address gaps in coordination, planning, and monitoring and evaluation. It provides a systemic, integrated and coordinated approach to capacity development, addressing constraints and the need for change at the level of institutions, organisations, individuals and among stakeholders.

Improving public financial management will require a government-wide transformation of people, processes and systems. The strategy is comprehensive and recognises the interplay of factors that can contribute to or hinder capacity development.

The development of public financial management capacity is a long-term project that requires the support of a wide range of interested parties within government and in the private sector. In the spirit of cooperation and ubuntu, I encourage all stakeholders to participate in this exciting journey to improve public financial management – contributing to a better life for all.

Pravin Gordhan
Minister of Finance
Preface

Given its constitutional mandate, the National Treasury has a responsibility to help the three spheres of government build their capacity for sound and transparent financial management. Accordingly, the National Treasury coordinated a broad collaboration to draft this capacity development strategy for public financial management.

The strategy is guided by the democratic values and principles enshrined in our Constitution, including high standards of professional ethics, fairness, equity, accountability and transparency. The strategy is practical, with clearly defined objectives. It is also developmental, sustainable, flexible, systemic and responsive to government priorities.

The strategy provides a national perspective to address financial management capacity constraints in the public sector. These challenges include scarce skills; high levels of vacancies and staff turnover; a lack of suitable education, training and development programmes; limited knowledge management; inadequate monitoring and evaluation; ineffective performance management; non-adherence to legislation; poor audit results; and an absence of effective partnerships.

The following, are the four strategic objectives adopted to address this challenge:

- Support the development of an enabling environment
- Enhance organisational capacity
- Develop and empower a corps of competent and committed high-performance employees
- Create an environment that enables and sustains mutually beneficial stakeholder relationships.

The strategy’s interventions will be tailored to the specific requirements of departments and municipalities based on their level of financial management capacity, their readiness to make wide-ranging changes and their organisational priorities.

I would like to thank all those who participated in drafting this strategy. Special mention must be made of our key partners in this process – the Department for Public Service and Administration, the Department of Cooperative Governance and the Public Administration Leadership and Management Academy. Accounting officers and chief financial officers, provincial accountant-generals, public sector expert practitioners and capacity development specialists have also made important contributions.

Building on such partnerships, we have every reason to believe that the strategy can make substantial progress over the medium to long term, and facilitate the immediate measures needed to realise urgent improvements.

The strategy is a living document that will be adapted to the dynamic requirements of the public sector. We invite capacity development experts, partner organisations and civil society to contribute their ideas and efforts to help us achieve excellence in the management of public funds.

Lungisa Fuzile
Director-General
National Treasury
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Executive summary

This capacity development strategy aims to achieve and sustain excellence in the management of public funds.

Good financial management is a prerequisite for an efficient and effective public service. A public financial management (PFM) system that performs well can help South Africa to improve governance, enhance the quality of service delivery, obtain greater value for money in public spending, reduce poverty and combat corruption. The absence of sound PFM undermines governance, damages public accountability and corrodes service delivery.

Many factors contribute to effective PFM, including the institutional environment, organisational culture, leadership, management, organisational design, and the skills and competence of all public officials whose duties touch on financial management. This partial list suggests the level of complexity involved in strengthening PFM within the context of a broader skills shortage. To develop greater PFM capability, a comprehensive and coordinated approach by all stakeholders is needed.

A COMPREHENSIVE STRATEGY

This strategy was developed by the National Treasury in partnership with the Department for Public Service and Administration (DPSA), Department of Cooperative Governance (DCoG), the National School of Government (NSG) and other stakeholders through public sector forums, committees, meetings and reference groups. Government departments, chief financial officers, provincial accountant-generals, provincial treasuries and capacity development specialists contributed to this process.

The strategy incorporates evidence-based problem statements, strategic objectives, key activities and an implementation plan.

The strategy applies to national and provincial departments and local government. It covers functions typically associated with the offices of chief financial officers, as well as internal audit and enterprise risk management. For purposes of this strategy, PFM refers to:

- Management accounting (planning and budgeting)
- Revenue management
- Expenditure management
- Asset management (movable and immovable)
- Financial accounting
- Supply chain management
- Internal control
- Enterprise risk management
- Internal audit.

Once adopted, the strategy will be reviewed annually. Its scope will be progressively extended from financial staff to the general financial competence of management in national, provincial departments, and local government, and finally to include schedule 3A and 3C public entities.
THE PFM CHALLENGE AND STRATEGIC OBJECTIVES

Extensive research has informed four problem statements:

- The environment does not support the development of high-performance organisations. South Africa has a shortage of skills in financial management, internal audit and enterprise risk management, resulting in competition for a limited pool of resources between the public and private sectors. The institutional environment does not promote a culture to attract, select, develop and retain talent, nor does it offer appropriate job standardisation, or education and training solutions.

- Inadequate organisational capacity hampers good PFM and service delivery. Most national and provincial departments have low levels of PFM maturity, as measured by the model discussed in Section 4. This reflects a lack of effective financial management systems and practices. Vacancy rates are high (averaging 34 per cent) in financial management, supply chain management, internal audit and enterprise risk management. Staff turnover averages 14.6 months. The continuous change in the senior management staff after the new executive or municipal council results in the depletion of the institutional memory and critical skills set required for sustainable financial management practises.

- Staff competence levels are inadequate to comply with standards and requirements. According to the Auditor-General, provincial department audits for 2012/13 resulted in 11 disclaimers, 39 qualified findings, 93 financially unqualified findings (with findings), 41 financially unqualified findings (with no findings) and 5 audits not finalised at the legislated date. National department audits for 2012/13 resulted in 7 qualified audits, 30 financially unqualified audits (with findings), and 3 financially unqualified audits (with no findings). Municipalities audits for 2012/13 resulted in 84 qualified audits with findings, 138 financially unqualified audits (with findings), 30 financially unqualified audits (with no findings) and 83 adverse or disclaimer with findings.

- An absence of effective partnerships and leadership on the legislated mandates, leads to unsustainable efforts to meet capacity development requirements. For example, Partnerships between government and education, training and development (ETD) stakeholders are inadequate.

The four strategic objectives designed to address these problems are meant to:

- Support the development of an enabling environment
- Enhance organisational capacity
- Develop and empower a corps of competent and committed high-performance employees
- Create an environment that enables and sustains mutually beneficial stakeholder relationships.

Key activities have been designed to achieve these objectives. These actions are challenging but achievable, practical and designed for maximum impact. The strategy is focused on medium- and long-term efforts to support sustainable improvements over time. The strategy will also support rapid action for “quick wins” in selected areas, such as developing a competency framework, developing occupational qualifications, and initiating education and training programmes. Because financial management capacity is uneven across departments and municipalities, the strategy takes a differentiated approach to implementation. Solutions will be tailored to the needs of each department and municipality.

In the South African context, capacity development requires a broad interpretation. The strategy presents an integrated framework to focus on achieving the vision, while directing the
development of capacity in each dimension towards a common goal. The strategy is premised on the idea that the key elements in the capacity development system are interdependent.

**Figure 1: The integrated capacity development framework**

As Figure 1 suggests, the strategy requires changes in institutional, organisational, individual and stakeholder behaviour, while taking account of the broader environment. This calls for a complementary change management programme that instils a new culture and appreciation for PFM capacity development.

Monitoring and evaluation (M&E) is an integral component of the framework that will serve to monitor progress and evaluate the impact. Key performance indicators have been identified and linked to strategic objectives. Progress will be benchmarked against these indicators.

**HOW THE STRATEGY WILL WORK IN PRACTICE**

The strategy promotes a multifaceted approach that includes:

- The adoption of short-, medium- and long-term solutions;
- A phased approach that responds to the status and needs of each department and municipality;
- Integration with current and new systems, such as the performance management development system (PMDS) and HR Systems for national and provincial departments and HR systems for LG;
- A versatile approach to education and training that recognises the role and legitimacy of all three quality councils relevant to the National Qualifications Framework (NQF) – Umalusi, the Council on Higher Education (CHE) and the Quality Council for Trades and Occupations (QCTO).
Over the medium term, the strategy aims to accelerate progress by emphasising six focus areas that cut across the strategic objectives:

- Develop “champions of change” – These champions will lead the transformation of their departments, municipalities groups and teams;
- Enhance management and leadership capability – Management should be empowered to leverage the performance of individuals, teams and the organisation;
- Support team/group level transformation – Organisational transformation can begin with individuals, teams or groups, resulting in “small wins” that can be emulated;
- Fast-track Professionalisation – As a first step, professionalising senior PFM management can have a longer-term impact on the public sector;
- Conduct systemic diagnosis – A diagnosis will identify the root causes of problems, and provide a baseline for M&E;
- Strengthen knowledge and information management – A national knowledge and information system will serve as both a centralised repository and a learning platform.

Effective implementation of the strategy will require funding additional to what is provided through the normal budget process. A process to secure donor funding is under way.

The initial three-year implementation plans (see Annexures 1 and 2) translates strategic objectives and key activities into specific, detailed operational steps, and sets out the responsibilities of all parties with an interest in the strategy’s success. The plan will be updated annually.

Annual reviews of the strategy will benefit from benchmarking with similar programmes in developing and developed countries.

GOVERNANCE

The Minister of Finance and the Director-General of the National Treasury will oversee the strategy, which links with Presidential Outcomes 9 and 12. Facilitation and support on implementation will primarily be the responsibility of the Chief Directorate, Capacity Building in the Office of the Accountant-General, National Treasury, supported by several interdepartmental committees.
1. Introduction

Sound financial management – the planning, direction and control of financial resources – is a prerequisite for an efficient and effective public service.⁴

South Africa needs a well-performing PFM system to improve governance, enhance the quality of service delivery, reduce poverty and combat corruption. Sound PFM also helps to achieve greater value for money in public expenditure.

The vision of this capacity development strategy is to achieve and sustain excellence in the management of public funds.

Many factors contribute to the effectiveness of PFM, including institutional environment, organisational culture, leadership, management, organisational design, human resources (HR) maintenance, transversal systems and operational platforms, policies and procedures, and the skills and competence of public officials. This partial list suggests the level of complexity involved.

The public sector faces serious capacity constraints. To develop greater PFM capability, a comprehensive, integrated and coordinated approach to capacity development is urgently required.

The National Treasury, the DPSA, DCoG and NATIONAL SCHOOL OF GOVERNMENT have been key partners in drafting the strategy. The process has benefited from the contributions of accounting officers, chief financial officers, provincial accountant-generals, provincial treasuries and members of the nine public sector expert practice committees made up of representatives from national and provincial departments.

1.1 Background

Public financial management has undergone important changes in recent years.

The Public Finance Management Act (1999) (PFMA) and the Municipal Finance Management Act (Act 56 of 2003) (MFMA) moved the public sector from a traditional, rules-based micro-control environment to a modern, principle-based environment characterised by greater flexibility, transparency and accountability. The legislation has made accounting officers responsible for the resources at their disposal, with significant implications for the skills and competencies required of public officials.

Moreover, changes to accounting, supply chain management, asset management, internal audit, enterprise risk management and related codes and standards have raised the bar for financial management in the public sector.

The following are some of the developments in the national and provincial departments:

- In 2004, government began migrating from cash to accrual accounting;
- Since 2005, the International Financial Reporting Standards (IFRS) and its public sector equivalent, the International Public Sector Accounting Standards, have imposed more rigorous reporting requirements;

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⁴ The Chartered Institute of Public Finance and Accounting defines PFM as the system by which financial resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public service goals (The Chartered Institute of Public Finance and Accounting 2010).
• Government has revised its internal auditing standards, and made reforms related to its consolidated financial statements and supply chain management to increase transparency and accountability;
• Government decentralised its procurement function to departments with the abolishment of tender boards and the integration of supply chain management into financial management in 2003, moving from procurement and provisioning to supply chain management.

The following are some of the developments in municipalities:

The MFMA introduced a number of key reforms with a developmental approach to gradually build the required capacity needed by municipalities to deliver on their constitutional mandates of service delivery. The MFMA separates the roles and responsibilities of municipal council from the executive and the administration. It empowers managers to manage and take accountability for their decision. Municipal council is empowered to take oversight on municipal finances.

The infancy of the MFMA warranted a certain trajectory of reforms to be implemented within LG. The requirement for implementation of the reforms took into account the differentiated approach to municipal classification with respect to budget sizes, functions, services and the capacity to discharge the financial management responsibilities.

It is for these reasons that the reforms were staggered in implementation to allow the smaller municipalities to build the required capacity before implementation.

During the same period, other capacity building initiatives like the implementation date of key chapters of the MFMA and exemptions were issued to support municipalities in financial management.

As part of the on-going capacity building initiatives, a number of financial management reforms were introduced covering: Budgeting and reporting regulations training; Systems of delegation under the MFMA; A guide to establishment of MPAC; Training on governance matters to strengthen role under the MPAC; Training on the phased in implementation of the Generally Recognised Accounting Practice (GRAP) reporting statements; Supply Chain Management regulations and amendments; Facilitation of the asset transfer and reporting requirements; Infrastructure delivery support programmes; Support to the Siyenza Manje programme; and Internal Auditing and Risk Management workshops and trainings among others.

Moreover, a number of programmes and projects were introduced to provide the requisite support to municipalities. These include the internship programme; the municipal finance advisory programme; aligning infrastructure SCM processes to the tabling and adoption of the municipal budgets; plans to providing the 27 big cities with housing accreditation; integrated support to municipalities in financial distress on-going; enforcement and the implementation and publication of contracts above R100000 as contemplated in section 75 of the MFMA; The Budget and Treasury Office Survey undertaken to understand the establishment as per the MFMA including the functionality; The infrastructure delivery support programme to boost the quality of infrastructure used for service delivery; Municipal minimum competency training rollout to strengthen the requirements as per the MFMA sections 83, 107 and 119; and the separation of political from administrative appointments through the amendment of the Municipal System Act of 2000, among others.

All the above mentioned complex developments and changes require PFM practitioners with sophisticated skills and competencies.
Apart from the above changes, South Africa’s shortage of skills is felt sharply in PFM. The public sector is falling behind in the competition for scarce skills. According to the South African Institute of Chartered Accountants (SAICA), there were 22,030 public and private sector auditing and accounting vacancies in 2008. Projections indicate that the supply of graduates and professionals entering the market is inadequate to keep up with increased demand. Furthermore, only 1.6 per cent of accountant posts in the public sector are filled by registered professionals, compared with 11.5 per cent of such posts in the private sector (SAICA 2008).

In 2010, vacancy rates for staff in the public sector averaged 31 per cent for finance positions, 36 per cent for supply chain management, 39 per cent for internal audit and 44 per cent for risk management (National Treasury 2010). The situation is made worse by a high turnover rate in PFM, averaging 14.6 months (National Treasury 2010).

Financial skills development will also be affected by changes in the training and educational environment. The main frameworks in this area are the Human Resource Development Strategy for South Africa 2010-2030, the National Skills Development Strategy III and the Human Resource Planning Strategic Framework Vision 2015 for the public sector, Chapter 13 of the National Development Plan Vision for 2030 (NDP) and the National Integrated Human Resource Development Plan 2014 – 2018 Plan (NIHRDP). The launch of the QCTO will also have an impact on PFM education and training. This strategy for PFM capacity development is informed by and complements these initiatives.

The National Planning Commission diagnostic documents highlighted the unevenness in the state capacity, which leads to uneven performance in local, provincial and national government. This uneven performance results from the interplay between a complex of factors, such as political-administrative interface, instability of the administrative leadership, skills deficit, the erosion of accountability and authority, poor organisational design, inappropriate staffing and low staff morale.

At a broader policy level, government’s commitment to deliver on its mandate is expressed in the Presidential Outcomes Framework. Outcome 12 is an efficient, effective and development-oriented public service and Outcome 9, a responsive, accountable effective and efficient local government system. This has specific implications for PFM performance, underlining the need to significantly enhance capacity.

Several factors contribute to weak PFM capacity, including organisational and institutional weaknesses, a lack of competent and qualified staff, critical staff shortages, inadequate education and training, and a lack of suitably competitive remuneration. The strategy adopts a comprehensive approach to address the range and complexity of these challenges.

1.2 Holistic capacity development

Capacity development is understood in different ways, depending on context. To provide a common starting point, this section presents a definition relevant to PFM requirements.

The United Nations Development Programme defines capacity as “the ability of individuals, institutions and societies to perform functions, solve problems, and set and achieve objectives in a sustainable manner.” It follows that capacity development is the process through which these abilities are obtained, strengthened, adapted and maintained over time (Saasa 2007).

In this strategy, capacity development has five dimensions: environmental, institutional, organisational, individual and stakeholder capacity. These areas are interrelated, and it is only in combination that they allow sustainable capacity development to be achieved. The dimensions are briefly described below.
ENVIRONMENTAL CAPACITY

Environmental capacity refers to the broad environment or system within which organisations and individuals function. It includes the international and domestic economic climate, political dispensation, social norms, technological developments and general legislative frameworks.

INSTITUTIONAL CAPACITY

Institutional capacity covers the governance, legislative and policy frameworks of the public sector, including procedures, practices, structures, values and systems.

ORGANISATIONAL CAPACITY

Organisational capacity encompasses all factors affecting the internal environment, including organisational design and development, culture, climate, leadership, values, resources, infrastructure, processes and procedures, management systems and technology. Where government represents the institution under institutional capacity, departments represent organisational capacity.

INDIVIDUAL CAPACITY

Individual capacity forms the foundation for organisational capacity. It is reflected in the knowledge, skills, competence, behaviour, commitment, experience, attitude and values demonstrated by staff. Such capacity is developed through formal, non-formal and informal learning. Individual capacity is enhanced through education, work readiness, staff profiling, performance agreements, recognition and reward, learning frameworks, skills programmes and so on.

STAKEHOLDER CAPACITY

This refers to the ability of stakeholders to contribute to and support the implementation of the strategy. Stakeholders include any individual or entity with an interest in capacity development. Implementation will require extensive consultation with and participation of interested parties.

1.3 Purpose

This PFM strategy aims to address the challenges confronting national, provincial and local government in a coordinated and holistic manner. It seeks to develop the required capacity to enable good financial management, improving service delivery through the efficient and effective use of limited resources.

The strategy defines the scope of the problem, sets out a national perspective to address capacity constraints in PFM, and makes a series of proposals that can form the basis for decision-making.

The strategy puts forward a comprehensive, integrated and sustainable approach. It coordinates previous, current and new initiatives within an integrated framework that standardises, aligns and ensures the provision of informed solutions. It sets out strategic objectives, supporting key activities and clearly defined strategic focus areas. Its approach to capacity development is multifaceted, flexible and responsive to each specific context. In addition, the strategy proposes a versatile approach to Education, Training and Development (ETD).

The strategy identifies key enablers, leading and managing change, and M&E mechanisms that are critical to implementation. It provides direction on the roles, responsibilities and accountability associated with its implementation.
1.4 Principles

The capacity development strategy is:

- Practical and implementable – It has clearly defined activities and actions that are specific, measurable, achievable, reliable and timely;
- Developmental – It recognises, values and enhances existing competency, capability and potential, and develops new capacity where required;
- Sustainable – It has a long-term perspective that will benefit South Africa;
- Flexible – It is adaptive and responsive to environmental changes;
- Engaging – It places a high value on stakeholder participation;
- Holistic – It has an open systems view that recognises the interrelatedness of the organisation internally and externally;
- Responsive – It addresses government priorities.

1.5 Structure

Figure 2 shows the main components of the strategy.

**Figure 2: Components of the capacity development strategy**

In summary:

- The **vision** of the strategy is to achieve and sustain excellence in the management of public funds.
- The **problem statements** express the challenges and issues affecting the efficient and effective management of public funds.
- The **strategic objectives**, informed by the problem statements, define the intended results and are critical to the achievement of the vision.
- **Key activities** state clearly what needs to be done to achieve the objectives.
- **Action statements** provide implementable programmes, projects and tasks that give practical expression to the strategy. They are linked to key activities detailed in the implementation plan in Annexures 1 and 2.

1.6 Scope

The strategy applies to national and provincial departments and municipalities, focusing on the financial management functions typically associated with the offices of chief financial officers for departments and municipalities, and also includes internal audit and enterprise risk management functions. For purposes of this strategy, the scope of PFM is limited to the following:
• Management accounting (planning and budgeting)
• Revenue management
• Expenditure management
• Asset management (movable and immovable)
• Financial accounting
• Supply chain management
• Internal control
• Enterprise risk management
• Internal audit.

The strategy will be reviewed annually, and its scope extended to local government in 2012/13, complementing reforms already under way at municipal level (budget reforms, the introduction of generally recognised accounting practice, strengthening in-year financial reporting systems, introducing SCM reforms and setting minimum competency levels for senior management and finance officials among others). The scope of the strategy will be broadened in 2012/13 to include governance and PFM for general management as a transversal competence. In 2013/14, the strategy will extend to include public institutions, with a focus on schedule 3A and 3C entities.

1.7 Mandate and roles

The strategy is situated within South Africa’s overarching legislative framework and policy environment, the main elements of which are the Constitution; legislation related to public finance, service delivery, HR and education and training; and laws governing relationships between institutions among others.

The National Treasury has a constitutional and national legislative mandate to manage public sector finance matters, including capacity development.

Section 195(1) of the Constitution sets out the basic values and principles governing public administration. It obligates the public administration to encourage and maintain a high standard of professional ethics, promote the efficient, economic and effective use of resources, be development-oriented, and cultivate good HR management and career development practices.

Section 6(2)(d) of the PFMA stipulates that the National Treasury “may assist departments and constitutional institutions in building their capacity for efficient, effective and transparent financial management”. This may include the development, issuing and enforcing of uniform norms and standards, including norms and standards for PFM practitioners. Section 34(1) of the MFMA on capacity building provides for the national and provincial government by agreement, to assist municipalities in building the required capacity for efficient, effective and transparent financial management.

Given the complexity and scope of the capacity development challenge, implementation of this strategy will require a collaborative partnership between public and private sector stakeholders. Within government, strategic partnerships in keeping with the principles of cooperative governance are required to address transversal issues. The National Treasury will play a coordinating and integrating role in these interventions, working alongside the following partners:

The Department of Public Service and Administration provides the basic values and principles governing public administration, cultivates good HR management and career-development practices, maximises human potential, promotes HR development, establishes effective HR-related strategic and operational planning in the public service, and establishes critical competencies.

The Department of Higher Education and Training is one of the key stakeholders in the PFM. The department is responsible for providing norms and standards that support the requisite capacity building initiatives through training and development.
The Department of Cooperative Governance (DCoG) mandate is to develop and monitor the implementation of various national policies and legislation and provide support to provinces and local government in fulfilling their constitutional legislative obligations. The department also has a mandate of ensuring that strategic interventions and support is given to the provinces and local government in order to ensure that government policy objectives are met.

The National Municipal Capacity Coordination and Monitoring Committee (NMCCMC) has been established and DCoG is taking leadership in its functions. This is meant to coordinate, document and report on capacity building activities supporting municipalities. This committee improvises intergovernmental relationship among departments on capacity building programmes. Establishing such a coordinating committee may assist in minimizing duplication, improper planning and coordination between departmental programmes and capacity building initiatives.

Sector departments have a capacity building role to play especially in the local government sphere to assist in strengthening the service delivery mandates. The Division of Revenue Act (Act 6 of 2011) provides for the sector specific grant framework to strengthen some of the service delivery mandates of municipalities. For example water, electricity, public works, health and housing among others. The sectoral legislations provide for support to municipalities in discharging its constitutional mandate. This is achieved by ensuring that there is an integration of sectoral plans to the municipalities Integrated Development Plans aligned to funding streams among others. The next critical leg to this support is the devolution of the housing and public transport functions to municipalities to enhance spatial investment and development. Chapter 7 of the Constitution (Act 108 of 1996) as amended provides for the establishment of local government, while schedule 4 Part b and schedule 5 Part b also outlines the key responsibilities of local government.

The National School of Government is mandated to help build a capable public service through leadership and management competency development programmes aligned to the needs of public service managers.

Accounting officers are responsible for the effective, efficient, economical and transparent use of departments’ resources, efficient management and administration, the utilisation and development of senior managers under their control and the provision of sufficient funds for training. They also oversee the implementation of capacity development interventions to employ, develop and retain a capable and competent work force, and improve the functioning of the department.

Chief financial officers assist accounting officers in discharging their PFMA and MFMA responsibilities, including the efficient, economical and transparent use of resources, efficient management and administration, the utilisation and career development of staff under their control, and provision of sufficient funds for training. They assist with capacity development interventions to employ, develop and retain a capable and competent work force, and improve the functioning of the departments and municipalities.

Provincial Treasuries promote, monitor, assess and enforce norms and standards, and assist departments and delegated municipalities in building capacity to effectively manage public finances.

“Champions of change” are needed to transform the public service into a high-performance organisation characterised by good financial management. Individuals at any level within an organisation who lead this process are champions of change.
**Management** actively supports capacity development interventions, and provides employees with on-going and equitable access to development opportunities for improved work performance and career development.

**Individual officials** should seek out continuous learning to support their work performance and career development.

### 1.8 Consultation

The strategy places a high value on consultation. During the development phase, primary stakeholders were consulted through public sector forums and committees, meetings, informal discussions and reference groups. Stakeholders include government departments, educational and training institutions and organisations, professional bodies, donors, government officials, chief financial officers, provincial accountant-generals, educationists and capacity development specialists.

Regular consultation with interested parties will ensure that the capacity development strategy is maintained as a living document that is flexible and responsive.

### 1.9 Funding

Effective implementation of the strategy will require funding over and above what is provided for through the normal budget process. Options are being pursued, including donor support, National Skills Fund contributions, and sectoral education and training authority funds. Government has sought to obtain supplementary donor funding to implement the strategy, and these discussions are at an advanced stage.

### 2. The integrated capacity development framework

#### 2.1 The benefits of an integrated framework

Capacity development in South Africa requires a broad interpretation but a focused and responsive support framework. The integrated framework presented below forms a comprehensive approach to capacity development. Four dimensions anchor the vision and the strategy; these are areas where government can exercise some direct control. A fifth dimension is the broader external environment, including the economic climate, political dispensation, social norms and technological developments.

Figure 3 presents the framework, with the five dimensions serving as pillars, and the foundations formed by the key processes that will ensure the success of the strategy – change management and M&E.

The integrated capacity development framework is intended to:

- Focus efforts on the strategic intention and vision
- Direct the development of capacity in each dimension towards achieving a common goal
- Help identify development initiatives for each capacity dimension
- Promote a holistic developmental approach
- Help identify key elements of an integrated strategy
- Demonstrate the interdependence of key elements within the capacity development system
- Provide a holistic perspective on capacity development
- Support the focus on sustainability.
2.2 Vision

The vision of this strategy is to achieve and sustain excellence in the management of public funds. In this context, excellence means achieving the outstanding quality and superior performance associated with the highest tier of the financial maturity capability maturity model (FMCMM) (see Section 4.2) This goal supports the objectives of both the PFMA and MFMA to promote “good financial management in order to maximise delivery through the efficient and effective use of limited resources”, which will benefit all South Africans.

To realise the objectives of our Constitution, South Africa requires a transformed public service, characterised by its commitment to develop our society, its empathy towards our people and its rigorous professionalism. Such a public sector must have competent PFM capability, with strong leadership, effective and accountable management motivated and committed staff, good governance, modern financial management systems, high performance, continuous improvement, innovation, learning and problem solving. It will have high levels of productivity and will work to obtain value for money. This vision sees the future of South African PFM as providing a model to be emulated internationally.

2.3 Capacity development pillars

Four pillars (institutional, organisational, individual and stakeholder dimensions) support the strategy. The strategic objectives, discussed later in this section, can be applied across the various dimensions and extend to the broader environment. For example, the development and empowerment of a corps of competent and committed high-performance employees may require amendments to the legislative framework (institutional), interventions in the municipalities and departments (organisational), change in staff behaviour and performance (individual), and engagement with providers to assist in delivery or implementation of interventions (stakeholder).

The environmental dimension, as an external factor, influences the whole of the strategy.
2.4 Change management

The strategy requires change across the individual, organisational, institutional and stakeholder dimensions. Change management is the process of mobilising resources through the planning and coordination of activities to realise a defined future state. The strategic intent is to change the status quo of many municipalities and departments – where internal control frameworks and supporting policies are developed but not implemented – to environments where there is continuous learning and performance improvement. This is to be achieved through a progressive and systemic process.

Capacity development is a perpetually evolving process of positive growth (United Nations Development Programme 2009). Achieving the vision will require changes across systems, structures, processes and behaviour – and will need to be achieved on a sustainable basis.

Successful implementation of the strategy will require all stakeholders to develop a “change competency” to embrace change at an individual and organisational level (Pasmore & Fagans 1992).

Sustainable change is the ability to support and maintain constant improvement in the practices and performance of an organisation. Drivers of change include vision, leadership, communication, training, employee participation, aligned HR practices, aligned organisational structure and control processes (Whelan-Berry & Somerville 2010).

Successful implementation of the strategy will require a complementary change management programme that instils a new culture and appreciation for PFM capacity development. The change management programme must provide a comprehensive solution that is integrated with the strategy’s implementation. Leadership and ownership by “champions of change” will be critical to success. This is discussed further in Section 5.

2.5 Monitoring and evaluation

M&E is an integral component of the framework. Monitoring will measure the progress of implementation, while evaluation will measure the impact of the strategy across the four pillars. M&E is discussed at length in Section 6.

3. The PFM challenge and strategic objectives

This section defines the extent of the PFM challenge, sets out four strategic objectives and proposes a range of key activities to achieve the objectives.

3.1 Problem statements

Four broad problems statements define the scope of the PFM capacity challenge:

- The environment does not support the development of high-performance organisations;
- Inadequate organisational capacity hampers good PFM and service delivery;
- Staff competence levels are inadequate to comply with standards and performance requirements;
- An absence of effective partnerships leads to unsustainable efforts to meet the capacity development requirements.

Table 1 presents these problem statements alongside related indicators that are informed by extensive research. The observations are taken from published sources and research done by the National Treasury in consultation with participants.
Some of the given problem indicators may be specific to national and provincial department while others are only specific to municipalities and in other cases generic for the three spheres of government. The principle with this table is to present a comprehensive picture under PFM for the three spheres of government.
<table>
<thead>
<tr>
<th>Problem statement</th>
<th>Problem indicators</th>
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</table>
| The environment does not support the development of high-performance organisations | - There is a national shortage of scarce skills in financial management, internal audit and enterprise risk management, resulting in competition for a limited pool of resources between public and private sectors (SAICA 2008)
- 64% of vacancies in financial divisions require NQF level 6 (old NQF levels) or higher relevant qualification (SAICA 2008)
- Government has difficulty in attracting top performers due to the public sector environment perceptions, rigid policies, limited career pathing and development opportunities, and inadequate performance incentives (National Treasury [NT] 2010)
- For most organisations, the major challenge in retaining professional staff is the ability to meet salary demands (Van der Nest & van Zyl 2009)
- Recruitment and selection processes are not implemented effectively or expediently, and are characterised by poorly compiled adverts, inadequate selection criteria and non-existent performance standards (Public Service Commission 2008)
- Departmental recruitment and selection practices are not scientific (lacking any formal assessment) and may result in the appointment of the wrong person for the post
- Inadequate remuneration of professionals results in the implementation of the occupation-specific dispensation for selected occupations (DPSA 2006)
- Inconsistent application of job evaluation and remuneration principles leads to inequitable salaries and practices (Personal Expenditure Review Report, DPSA 2006)
- Lack of standardisation and inconsistency of job profiles, job titles, job descriptions, job grading and job requirements (NT 2010)
- A limited pool of talent is being recycled in the public sector (NT 2010)
- The performance management culture is not yet effectively institutionalised within the public sector (NT 2010)
- The PMDS assesses individual performance and does not consider or reward team performance (Public Service Regulations 2001) |
<table>
<thead>
<tr>
<th>Problem statement</th>
<th>Problem indicators</th>
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<tbody>
<tr>
<td>There is limited knowledge and information management</td>
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<tr>
<td>Few qualifications address the specific operational requirements of the public sector</td>
<td></td>
</tr>
<tr>
<td>Only a limited number of ETD solutions are relevant to the public sector and are accredited on the NQF (only 5% to 10% match relevance and programmes)</td>
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<tr>
<td>Capacity development initiatives relevant to the public sector are inadequate and their supply is uncoordinated</td>
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</tr>
<tr>
<td>Inadequate M&amp;E and impact assessment perpetuates the supply of capacity development initiatives that are irrelevant and ineffective, and do not provide an adequate return on investment</td>
<td></td>
</tr>
<tr>
<td>Inadequate organisational capacity hampers good PFM and service delivery</td>
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<tr>
<td>Vacancy rates are high (averaging 34%) in financial management, supply chain management, internal audit and enterprise risk management (including funded and unfunded posts), placing additional pressure and responsibility on existing staff (NT 2010)</td>
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<tr>
<td>High rates of staff turnover (averaging 14.6 months) result in high costs and a lack of talent retention, with a negative impact on HR maintenance and social capital (NT 2010)</td>
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<tr>
<td>There are high vacancy and turnover rates among senior managers and highly skilled staff (Auditor-General South Africa 2010)</td>
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<tr>
<td>High vacancy and turnover rates are perpetuated by departments recruiting personnel from within the public sector (NT 2010)</td>
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<tr>
<td>Salary levels for similar posts across government are inconsistent</td>
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<tr>
<td>Ill-informed allocation of funding results in unfunded posts that remain vacant for extended periods of time (Personal Expenditure Review Report, DPSA 2006)</td>
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<tr>
<td>Departmental strategy and organisational design do not always support the achievement of the purpose, functions and expected outputs (HR Systems 2010)</td>
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<tr>
<td>Talent retention is poor, with 18.5% in the private sector as opposed to 62.3% in the public sector (SAICA 2008)</td>
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<tr>
<td>High levels of vacancies result in poor quality and lack of service delivery (Maponga &amp; Khanyile 2007)</td>
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<tr>
<td>Problem statement</td>
<td>Problem indicators</td>
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<tr>
<td>There are pockets of poor individual and departmental performance</td>
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<tr>
<td>Job descriptions and performance agreements do not always exist or are inadequate (HR Systems 2010)</td>
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<tr>
<td>Effective implementation of the PMDS remains a challenge, with “average” workers being rewarded rather than high performers, impacting negatively on staff motivation (Personal Expenditure Review Report, DPSA)</td>
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<tr>
<td>Line managers are unable to effectively manage poor staff performance due to lack of time, skills and advisory support (Public Service Commission 2008)</td>
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<tr>
<td>Adequate leadership is required to create an environment conducive to good financial management and performance (Auditor General South Africa 2010)</td>
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<tr>
<td>Departments have not yet matured into learning organisations characterised by systems thinking, individual commitment to learning, an open culture, shared vision and shared learning</td>
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<tr>
<td>There are limited qualified professionals in the public sector (SAICA 2008)</td>
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<tr>
<td>Professional qualifications and continuous professional development are not mandatory, encouraged or required</td>
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<tr>
<td>73% of provincial departments and 66% of national departments do not adhere to the PFMA, Treasury Regulations and other requirements (Auditor-General South Africa 2010)</td>
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<tr>
<td>National and provincial departmental capability maturity model results are low (FMCM)</td>
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<tr>
<td>Personnel management in local government has been marred in many instances by poor recruitment practices, political interference in the appointment and dismissal of employees, the inability to attract and retain suitably qualified staff, high vacancy rates and the lack of performance management systems and other related symptoms (LGBER 2011)</td>
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<tr>
<td>Total employment in the metros has fallen by 2.5 per cent since 2006 (LGBER 2011)</td>
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<tr>
<td>The decline in employment in the electricity and waste management sectors exacerbate the service delivery backlogs (LGBER 2011)</td>
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</tr>
<tr>
<td>Financial pressures have forced municipalities to limit expansion in the critical skills employment and thus resorted to outsourcing some of the functions (LGBER 2011)</td>
<td></td>
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</tbody>
</table>
## Problem statement

- A broader skills shortage and a rigid approach to employment equity and labour provisions make it difficult to for other municipalities to recruit suitably qualified staff (LGBER 2011)
- Vacancy rates across municipalities have been varying to some degrees. Metros had approximately 25 per cent vacancy rate since 2006 and the filling of vacant positions for senior manager has been generally minimal since 2006. (LGBER 2011)
- Employment in the financial administration sector accounted for between 9 per cent (in metros) and 17.5 per cent (in rural municipalities) of total municipal employment. Aggregate employment in the technical service sectors (electricity, water, waste water management and refuse removal) accounts for the remaining difference levels of employment. (Stats SA 2009)
- Staff competence levels are inadequate to comply with standards and requirements

## Problem indicators

<table>
<thead>
<tr>
<th>Staff competence levels are inadequate to comply with standards and requirements</th>
<th>Provincial department audits for 2009/10 resulted in 10 disclaimers, 24 qualified findings, 75 financially unqualified findings (with other matters) and 14 financially unqualified findings (with no other matters)  (Auditor-General South Africa, Consolidated General Report on Provincial Audit Outcomes 2009/10).</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>National department audits for 2009/10 resulted in 12 qualified audits, 19 financially unqualified audits (with other matters), and 4 financially unqualified audits (with no other matters)  (Auditor-General South Africa 2011, General Report on the National Outcomes 2009/10)</td>
</tr>
<tr>
<td></td>
<td>Municipalities audits for 2009/10 resulted in 50 qualified audits, 120 financially unqualified audits (with other matters) and 7 financially unqualified findings (with no other matters)  (Auditor-General South Africa 2011, General Report on the National Outcomes 2009/10)</td>
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<tr>
<td></td>
<td>The skills level and experience of staff appointed to finance departments, especially in relation to the compilation of financial statements that comply with Generally Recognised Accounting Practice (GRAP), are not adequate. (Auditor-General South Africa 2011, General Report on the National Outcomes 2009/10)</td>
</tr>
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<td></td>
<td>It is critical to understand that for municipalities, the BTOs and their CFOs face an enormous challenge to advise a multiplicity of departments and committees on complicated issues, administer complex and integrated accounting and budgeting systems with the mastery needed to underpin the sustainability of their municipalities. (BTO Survey 2009). Therefore, there is a need for an integrated skills set in any given time.</td>
</tr>
<tr>
<td></td>
<td>Significant skills gaps exist in finance and economics, requiring a larger variety and higher...</td>
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<tr>
<td>Problem statement</td>
<td>Problem indicators</td>
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<td>---------------------------------------------------------------------------------</td>
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<tr>
<td>level of skills (Personal Expenditure Review Report, DPSA 2006)</td>
<td>➢ There is a limited number of qualified professionals (SAICA 2008)</td>
</tr>
<tr>
<td></td>
<td>➢ Insufficient focus on talent management imperatives (succession, development, mentoring and performance management) contributes to an environment where key talent is not nurtured</td>
</tr>
<tr>
<td></td>
<td>➢ Limited HR management capability results in inadequate induction and on-boarding processes</td>
</tr>
<tr>
<td></td>
<td>➢ Career-pathing and career progression is limited</td>
</tr>
<tr>
<td>An absence of effective partnerships leads to unsustainable efforts to meet capacity development requirements</td>
<td>➢ Partnerships between government and ETD stakeholders are inadequate</td>
</tr>
<tr>
<td></td>
<td>➢ Partnership between government and professional bodies still fragmented</td>
</tr>
<tr>
<td></td>
<td>➢ Good practice and successful partnerships between government and other stakeholders are not replicated or leveraged to gain national value</td>
</tr>
<tr>
<td></td>
<td>➢ Some provincial treasuries still not embracing the support provided to fully implement their legislative mandates in a sustainable manner.</td>
</tr>
<tr>
<td></td>
<td>➢ Ad hoc and short-term interventions do not result in sustainable benefits for partners</td>
</tr>
<tr>
<td></td>
<td>➢ Lack of or inconsistent funding by departments results in programme failure and reluctance from stakeholders to partner with government</td>
</tr>
</tbody>
</table>
3.2 Strategic objectives

The problem statements demonstrate the depth and breadth of the PFM challenge. Four strategic objectives, presented in Figure 4, address these broad statements.

The strategic objectives promote a comprehensive approach to capacity development by developing an enabling environment, enhancing organisational capacity, developing a corps of high-performance employees and promoting mutually beneficial stakeholder relationships.

Figure 4: Strategic objectives and problem statements

3.3 Key activities

**SUPPORT THE DEVELOPMENT OF AN ENABLING ENVIRONMENT**

To create an enabling environment, the strategy must be aligned and responsive to the present environment, while using levers to influence it. Government is in a position to provide such influence. The strategy will coordinate and integrate the provision of capacity development initiatives to improve return on investment. Key activities identified to support the development of an enabling environment are set out below.

**KA 1.1 Provide PFM-related policy, norms, standards, frameworks and guidelines**

This activity will help municipalities and departments by enhancing the legislative framework governing the effective management of public funds. The National Treasury will provide this support through appropriate policies, norms, standards, frameworks and guidelines.

**KA 1.2 Provide organisational and HR-related policy, norms, standards, frameworks and guidelines**

The DPSA and DCOG will provide support to departments and municipalities with relevant policies, norms, standards, frameworks and guidelines. The National Treasury aims to
institutionalise mandatory programmes and minimum competency requirements for national and provincial departments for PFM. The minimum competency framework in place for municipalities will continue to be the guiding principles for the BTOs. The integrated learning matrix, which provides a holistic map for personal development, will help develop technical and managerial career paths for PFM practitioners.

**KA 1.3 Provide PFM transversal information systems**

Transversal information systems are the general administrative tools required by user departments, enabling them to effectively perform PFM-related functions. These systems can be powerful tools to create an enabling environment for improved PFM.

The National Treasury is spearheading an integrated financial management system (IFMS), a solution that will consolidate, integrate and upgrade government’s transversal information technology (IT) systems. The programme aims to enhance the integrity and effectiveness of expenditure management and performance reporting to ensure effective service delivery.

**KA 1.4 Provide HR transversal information systems**

DPSA and DCOG are tasked with strengthening the information systems requirements that can help to automate and manage HR, payroll and related activities. In turn, these systems can reduce costs, improve efficiency, and boost productivity and effectiveness. The IFMS project includes the development of a HR management information system that will improve the planning, development and management of HR in the public sector. DCoG is developing municipal guidelines and regulations to strengthen some of the HR related matters to support the amendments in the Municipal Systems Act (2011).

**KA 1.5 Focus on talent management (institutional)**

A greater focus on talent management at institutional level will include national interventions to support good HR planning, development and management.

Talent should be identified and developed from secondary school onwards, in the workplace and through continuous professional development. National policy needs to be revised to address the skills shortage through educational funding mechanisms and bursary allocations. The public service should market itself as an employer of choice and compete for talent. Career guidance material will promote careers in PFM. Advantages and opportunities must be leveraged to attract high-potential candidates. The selection process should include screening, testing and assessment to determine if people have the right skills, experience and attributes for specific jobs.

Talent pipelines articulate entrance into and progression through various career options in an organisation or sector. Such pipelines will be developed for each PFM discipline. Internships and learnerships will be enhanced and coordinated to help identify and attract talent. Supporting policies must be developed to facilitate the appointment of high-performance candidates and create a pool of critical and scarce skills.

**KA 1.6 Create, support and maintain knowledge and information sharing systems**

The National Treasury aims to create a virtual national resource centre for PFM. The resource centre can serve as a central repository of PFM-related business processes, standard operating procedures and related material. It would allow all public officials to access, create and disseminate knowledge and information. Currently all municipalities are using the National Treasury OAG and MFMA portals as a resource centre for matters covering financial reporting, SCM and MFMA matters.
KA 1.7 Professionalise financial management, supply chain management, internal audit and enterprise risk management

Given the varying interpretations of Professionalisation from all sectors, government will define and document its understanding and desired outcomes on the matter and at the same time establish partnerships with professional bodies as one of the key stakeholders in the model to influence their relevance, credibility and responsiveness to professionalising the public sector. Professional development programmes will be designed and presented in partnership with such organisations.

The introduction of the QCTO is part of a broader national policy initiative to develop skills that are informed by and responsive to industry requirements, as well as the needs of the public sector.

KA 1.8 Maintain the competency framework for PFM

A competency framework covering the technical, core and behavioural competencies required by PFM officials for national and provincial departments was developed in the course of preparing this strategy. The framework needs to be maintained and updated regularly to stay abreast of changing legislation and good practice. The framework can be used to inform the design of job, occupational and learning profiles, as well as the design of HR development initiatives, learning programmes and performance management. It is envisaged that the competency framework will progress from a guiding document to a regulated standard of minimum competency requirements. For municipalities, the competency framework in place must be institutionalised to inform the minimum standards until a further enhancement is made.

KA 1.9 Implement an integrated learning matrix

An integrated learning matrix is already being developed. It will provide an integrated, coherent, standardised and accessible framework to guide the development of individuals within their field of work, consolidating all formal learning programmes into one matrix.

The integrated learning matrix will include two components – one reflecting skills (non-accredited) programmes and the other qualifications (accredited) programmes. Formal structures will need to be established to provide an objective and independent review of the matrix and to monitor compliance with supporting policies.

KA 1.10 Develop PFM-related occupational qualifications

Occupational qualifications are designed to develop the ability (competence) of individuals to perform a specific job. Current educational reforms and the introduction of the QCTO support the development of occupational qualifications.

KA 1.11 Enhance education, training and development programmes

ETD programmes should be enhanced or developed to meet specific requirements articulated in the strategy. The public sector will need to work with ETD providers to ensure that relevant programmes are made available and monitored, with appropriate links to the integrated learning matrix. The capacity development strategy may include the provision of selected ETD programmes, some of which may be mandatory.

KA 1.12 Implement change management

The change management plan will seek to address all of the strategy’s dimensions, with particular focus on leadership programmes and creating a network of “champions of change.”
KA 1.13 PFM academy

In the absence of the concerted efforts by funded institutions of higher learning to be responsive to the needs of the public sector, research will be conducted to determine the feasibility of establishing a government-owned PFM academy. This learning centre would develop innovative PFM capacity development solutions tailored to the needs of the public service. The academy could be established as a centre of excellence and engage in research, knowledge management, education, training and professional development. It would help to develop PFM leaders with the skill and character to support the broader transformation of the public service.

ENHANCE ORGANISATIONAL CAPACITY

Organisational capacity relates to the ability of an organisation to achieve specific outputs. It is determined by strategy and organisational design. Crucially, the capacity development strategy must enhance PFM systems and related organisational structures, performance measurement systems and HR systems. The goal is a high-performance, learning and knowledge-based culture.

The key activities identified to enhance organisational capacity are set out below.

KA 2.1 Evaluate and refine PFM systems

Municipalities and departments will evaluate and improve their internal policies, processes and procedures. In the absence or where systems need strengthening, National Treasury will support by providing generic public finance business policies, processes and standard operating procedures that will be maintained in a central repository.

KA 2.2 Identify and implement good practices

Systems, processes and practices will be established to enable and support the identification, sharing and internalisation of good PFM practices. These practices can be institutionalised and inform ETD solutions.

KA 2.3 Support organisational design

Toolkits, guidelines and comparative benchmarks will be developed to help municipalities and departments design appropriate and functional organisational structures.

KA 2.4 Integrate and coordinate support to municipalities and departments

The National Treasury will develop and standardise an integrated and coordinated support system that enables municipalities and departments to comply with PFM legislation. Targeted support already provided to provincial treasuries will be strengthened to enable them to support municipalities and provincial departments.

KA 2.5 Provincial treasuries to provide integrated and coordinated support to municipalities and departments

A support system should be developed, where not in place, strengthened where in place, standardised and monitored to provide informed interventions that enable municipalities and departments to comply with relevant legislation.

KA 2.6 Provide workplace-based technical advisory support
A technical advisory support programme that provides municipalities and departments with access to qualified experts, professionals and service providers will be reviewed and strengthened. Interim support will help organisations develop the necessary organisational and individual capacity to perform in an independent and sustainable manner.

**KA 2.7 Institutionalise HR planning for PFM and maintain relevant human resource systems**

HR Systems helps national and provincial departments to determine its skills needs. Departments are encouraged to complete the HR Systems process annually to inform their workplace skills and HR plans, which allows the National Treasury to assess PFM needs at national and provincial levels. Municipalities have access to their BTO survey results which they have to use to strengthen some of the identified gaps and recommendations. Furthermore, the minimum competency regulations guidelines provide support on the need for a continued evaluation of the BTO skills sets to meet the requirements. The work of DCOG on HR systems improvement will also provide the required support to municipalities.

**KA 2.8 Institutionalise the financial management capability maturity model**

The FMCMM provides a national standard methodology and approach to assess the maturity an organisation. Departments and municipalities must complete the FMCMM process each year to inform their respective response strategies and plans. This enables the National Treasury to assess the maturity levels of PFM functions.

**KA 2.9 Improve the performance management development system**

Performance management systems aim to improve an organisation’s ability to achieve its strategy, and to support staff in their contributions and personal development (Salaman & Asch 2003; Millett 1998). To improve PFM performance, it is imperative that the public sector develop the competence of managers and supervisors to effectively implement the PMDS, and for relevant indicators to be integrated into the system. The DCoG is looking into ways of strengthening the requirements under the performance management regulations supporting the MSA Act 32 of 2000 as amended.

**KA 2.10 Promote transformational change leadership and management**

Transformational change leadership and management programmes should be developed for all junior, middle and senior managers. The goal of these programmes is to help them lead change, support learning in the workplace, and improve individual and team performance.

**CREATE A CORPS OF COMPETENT, COMMITTED HIGH-PERFORMANCE EMPLOYEES**

The strategy seeks to attract, select, develop, empower and retain highly skilled workers, resulting in a sustainable corps of competent and committed employees within the public service. The key activities needed to achieve this objective are set out below.

**KA 3.1 Support informal learning**

Informal (or self-directed) learning is not organised or planned – it occurs through our daily interactions. Awareness programmes and guidelines will be developed to encourage informal learning, contributing to the growth of a learning culture. Access to information and social networks will be promoted. Informal learning will be integrated into learning programmes.
KA 3.2 Support non-formal learning

Non-formal (or non-accredited) learning occurs in a structured learning environment, but is not formally recognised. It typically involves workshops, skills-based courses, workplace-based training, seminars, coaching and mentoring. Awareness programmes and guidelines will be developed to promote non-formal learning, alongside mechanisms to share knowledge and information, and mentoring programmes.

KA 3.3 Support formal education and training programmes

Formal learning occurs when individuals engage in registered and accredited education and training programmes. Formal learning provides learners with the opportunity to be qualified within a field, occupation or discipline, and it is often a prerequisite for professionalisation. A summary of all accredited education and training qualifications relevant to PFM will be provided through the integrated learning matrix. Municipalities and departments are required, within their PMDS and career management practices, to encourage staff to engage in formal programmes.

KA 3.4 Establish learning networks

Learning networks, including communities of practice, communities of expert practitioners and other social networks, allow groups of people to actively engage in learning together. Guidelines and IT platforms will be developed, implemented and maintained to support the creation and development of government-wide learning networks.

KA 3.5 Implement on-boarding programmes

On-boarding is an orientation process that helps new employees become productive members of an organisation. On-boarding programmes will be developed for PFM, and communicated and marketed nationally to municipalities and departments to adopt and implement.

KA 3.6 Create an employee satisfaction survey

Employee satisfaction and levels of engagement influence their willingness to learn and perform at work. An employee satisfaction survey will be developed as a tool for departments.

KA 3.7 Support career management

A manual that details the basic PFM job families, career progression possibilities, and related requirements should be made available to every government employee. The information would enable individuals to make informed career path decisions and it is envisaged that dual career paths will be developed for professional and managerial progression supported by a policy. The integrated learning matrix will be a valuable source of information to identify education and training solutions that may contribute to career development.

KA 3.8 Strengthen talent management (organisational)

Talent management interventions will be designed to contribute to building on a corps of competent and committed employees. Municipalities and departments are encouraged to adopt progressive HR planning, development and management practices in line with the policies, frameworks and guidelines provided by both DCoG and the DPSA. Succession planning should be part of these processes.

Municipalities and departments are encouraged to create PFM talent “pipelines”. Programmes such as internships and learnerships can help identify and attract individuals with high potential to the public sector. Supporting policies should be developed to help appoint high-performance
candidates and create a pool of critical and scarce skills. Future interventions, such as the development centre, will provide a platform to assess candidates for selection, promotion, training and development.

CREATE AN ENVIRONMENT THAT ENABLES AND SUSTAINS MUTUALLY BENEFICIAL STAKEHOLDER RELATIONSHIPS

To achieve success, the strategy will require long-term, mutually beneficial relationships between government departments, educational institutions and organisations, professional bodies, service providers, employees and learners. The key activities to achieve such relationships are set out below.

KA 4.1 Develop a stakeholder relationship management plan

A stakeholder relationship management plan should be developed to identify interested parties, analyse their needs, concerns, authority, common relationships and interfaces, position them according to their level of influence or impact, identify opportunities and expectations, and establish communication requirements (when, how and what). Existing and new structures that will support the implementation of the strategy should be identified. Selected stakeholder relationships must be formalised and partnerships developed to underpin a broad-based approach. A complementary communication strategy will guide interactions between stakeholders.

KA 4.2 Implement an ETD delivery model

The coordination of national ETD interventions will help government obtain better value for money and improve efficiency. A sustainable ETD delivery model must be developed, implemented and monitored.

4. Capacity development approach

The strategy has adopted a multifaceted approach to address the environmental, institutional, organisational, individual and stakeholder dimensions. This affects the way in which activities are prioritised and will guide decision making. The chosen method includes:

- Short-, medium- and long-term solutions;
- A phased developmental approach;
- Integration of the strategy with existing and new systems;
- A versatile approach to education and training.

4.1 Short-, medium- and long-term solutions

The strategy is primarily focused on medium- and long-term perspectives, which will support sustainable improvements in PFM over time. The strategy also identifies certain areas where “quick-wins” and rapid improvements are both possible and necessary.

4.2 A phased approach

The strategy recognises that municipalities and departments have various levels of financial management capacity, and consequently takes a differentiated approach to implementation.

The National Treasury uses the FMCMM to help departments and municipalities assess and monitor their PFM capabilities. The level of maturity can only be determined once a department has identified the gaps or imbalances between its financial management capability and its
mandated requirements. Table 2 shows the different levels of maturity; each level serves as a building block to the next level.
Table 2: FMCMM

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
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<tbody>
<tr>
<td>Level 6: Optimising</td>
<td>On-going assessment of processes, improvements and measurements results in continuous learning and performance improvement</td>
</tr>
<tr>
<td>Level 5: Managed</td>
<td>Economic, efficient and effective use of resources is managed, ensuring value for money and results</td>
</tr>
<tr>
<td>Level 4: Information</td>
<td>Economic use and performance of resources are managed, measured, monitored, reviewed and reported through application of reliable and consistent service standards, delivery objectives and performance indicators</td>
</tr>
<tr>
<td>Level 3: Control</td>
<td>An internal control framework and approved policies and procedures are adequately implemented and adhered to</td>
</tr>
<tr>
<td>Level 2: Development</td>
<td>A proper internal control framework and supporting policies and procedures are developed, but not implemented</td>
</tr>
<tr>
<td>Level 1: Start-up</td>
<td>No proper internal control framework exists</td>
</tr>
</tbody>
</table>

It is important to match capacity development solutions with the maturity level of each organisation. Figure 5 reflects the integration of the strategic objectives and key activities with the FMCMM. In addition, the key activities and supporting actions detailed in the implementation plan show the sequence and priority of the activities in relation to the maturity of the organisation and the phased implementation of the strategy.
![Figure 5: Summary of key activities linked to the FMCMEM](image)

**VISION**
To achieve and sustain excellence in the management of public funds

<table>
<thead>
<tr>
<th>FINANCIAL MANAGEMENT</th>
<th>STRATEGIC OBJECTIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENABLING ENVIRONMENT</td>
<td>ORGANISATIONAL CAPACITY</td>
</tr>
<tr>
<td>LEVEL 6</td>
<td>Continuous learning and performance improvements</td>
</tr>
<tr>
<td>LEVEL 5</td>
<td>Key activities are effectively managed, ensuring value for money and positive results</td>
</tr>
</tbody>
</table>
| LEVEL 4 | • Knowledge and information sharing  
| |  • Professionalisation  
| |  • Talent management (institutional)  
| |  • Integrated learning matrix  
| |  • Occupational qualifications  
| |  • Change management  
| |  • PFM academy |
| LEVEL 3-1 | • PFM policy, norms  
| |  • Organisational and HR policy, norms  
| |  • Transversal information systems  
| |  • Governance structures  
| |  • Competency framework for PFM  
| |  • PFM-related ETD |
| LEVEL 4 | • Good practices  
| |  • Organisational design  
| |  • Performance management development systems  
| |  • Transformational change leadership and management |
| LEVEL 5 | • Employee satisfaction  
| |  • Career management  
| |  • Talent management  
| |  • On-boarding |
| LEVEL 6 | • PFM systems  
| |  • NT support  
| |  • PT support  
| |  • Technical advisory support  
| |  • HR planning and HR Connect |
| LEVEL 7 | • Information learning  
| |  • Non-formal learning  
| |  • Formal ETD  
| |  • Learning networks |
| LEVEL 8 | • Stakeholder relationship management  
| |  • ETD delivery model |

*Source: National Treasury*
4.3 Integration with existing systems

The strategy builds on existing systems, structures and practices. New systems will only be created to support the strategy as necessary.

The PMDS, HR Systems for national and provincial departments and HR systems for local government, are important support systems for the strategy. Note must be made that for municipalities the current Performance Management Systems and the broader prescripts as provided through in the MSA of 2000 as amended will be applicable:

- The PMDS assesses the performance of the individual and the organisation, and guides the preparation of individual development plans;
- HR Systems provides a platform and process to evaluate an employee’s skills specific to their job function, which helps departments identify priority development needs. Furthermore, it can link specific education and training solutions to the skills detailed in the public sector occupational profile;
- For municipalities, the performance management systems as prescribed through the performance regulations will be the guiding principles for the management and implementation of the integration requirement.

Figure 6 shows the interrelationship between HR development-related systems of the strategy.

**Figure 6: Interrelationship between human resources development-related systems**

<table>
<thead>
<tr>
<th>HR CONNECT</th>
<th>EMPLOYEE PROFILE</th>
<th>INDIVIDUAL DEVELOPMENT PLAN</th>
<th>WORKPLACE SKILLS PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR Connect links education and training development solutions to required knowledge, tasks and skills detailed in occupational profile</td>
<td>HR Connect profiles the employee against a standard occupational profile</td>
<td>Skills gap and related education and training development solutions will need to be prioritised and captured in IDP</td>
<td>Consolidation of workplace skills plan into sectoral skills plan will indicate national HR development needs for public sector</td>
</tr>
<tr>
<td>HR Connect provides government with a standardised approach to human capital management and development and related data management processes</td>
<td>HR Connect identifies the employees' skills gap</td>
<td>The IDP forms part of the individual performance agreement – a key instrument for assessing individual performance and development</td>
<td>HR Connect helps summarise the employee skills survey into a workplace skills plan</td>
</tr>
</tbody>
</table>

Source: National Treasury

4.4 Versatile approach to education and training

Education and training solutions must cater for the capacity development needs of individuals already in the public sector, as well as those who wish to pursue public service careers. This requires a range of accessible and portable accredited solutions to be registered on the NQF. These solutions must support the national objectives of redressing South Africa’s legacy of discrimination in education, training and employment, and should contribute to the personal development of each learner and the social and economic development of the nation.
The NQF is a framework i.e. it sets the boundaries, principle and guidelines, which provide a vision, a philosophical base and an organisational structure, for the construction of a qualifications system. Detailed development and implementation is carried out within these boundaries. All formal and accredited education and training in South Africa fits within this framework.

The NQF consist of 10 levels divided into three band; Levels 1 to 4 equate to high school grades 9 to 12 or vocational training, 5 to 7 are college diplomas and technical qualifications, 7 to 10 are university degrees.[4]

<table>
<thead>
<tr>
<th>Levels</th>
<th>Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Grade 9</td>
</tr>
<tr>
<td>2</td>
<td>Grade 10 and National (vocational) Certificates level 2</td>
</tr>
<tr>
<td>3</td>
<td>Grade 11 and National (vocational) Certificates level 3</td>
</tr>
<tr>
<td>4</td>
<td>Grade 12 (National Senior Certificate) and National (vocational) Cert. level 4</td>
</tr>
<tr>
<td>5</td>
<td>Higher Certificates and Advanced National (vocational) Cert.</td>
</tr>
<tr>
<td>6</td>
<td>Diploma and Advanced certificates</td>
</tr>
<tr>
<td>7</td>
<td>Bachelor’s degree and Advanced Diplomas</td>
</tr>
<tr>
<td>8</td>
<td>Honours degree, Post Graduate diploma and Professional Qualifications</td>
</tr>
<tr>
<td>9</td>
<td>Master’s degree</td>
</tr>
<tr>
<td>10</td>
<td>Doctor’s degree</td>
</tr>
</tbody>
</table>

The revised NQF landscape includes three councils to oversee the development of qualifications and the related quality assurance processes: Umalusi, the Council on Higher Education (CHE), and the QCTO. PFM-related solutions are situated within one of these three councils.

QUALITY COUNCIL FOR TRADES AND OCCUPATIONS

The QCTO draft policy creates the space for the development of “fit for purpose” qualifications designed to meet industry’s vocational needs. The QCTO provides government with the opportunity to develop occupational and professional qualifications and learning programmes that are relevant to the public sector. The system requires the involvement of educational bodies and institutions, service providers, professional bodies and private sector entities with an interest in these qualifications.

Through the QCTO process, government is able to develop occupational qualifications that are specifically relevant to the public sector for professional accountants, asset managers, supply chain managers, internal auditors and enterprise risk managers.

COUNCIL ON HIGHER EDUCATION

CHE is responsible for quality assurance in higher education institutions that provide academic qualifications. These institutions play an important role in the PFM capacity development strategy.
UMALUSI

Umalusi’s scope includes further education and training colleges, which provide vocational- and occupational-related qualifications at NQF levels 4 and 5. These institutions are well positioned to deliver finance-related programmes at these NQF levels.

SKILLS PROGRAMMES

Skills programmes can help bridge the gap between formal learning and workplace skills. Such programmes provide practical, short interventions that build competence for specific tasks. Skills programmes can be developed and delivered quickly to support reforms, changes in policies, procedures, systems or processes.

Figure 7: A versatile approach to the provision of education and training

5. Levers for change over the medium term

To make rapid progress on the strategic objectives, the strategy sets out six focus areas to be used as levers over the medium term. These focus areas cut across the strategic objectives, and will contribute significantly to organisational transformation. They are as follows:

- Develop champions of change
- Grow management and leadership capability
- Support team/group level transformation
- Fast-track professionalisation
- Conduct systemic diagnosis
- Strengthen knowledge and information management.
5.1 Champions of change
The strategy’s implementation depends on the development of a significant number of champions of change at all levels of the organisation, who will lead the transformation of their teams, groups, departments and municipalities. The “champions” must own, design, direct, implement and sustain the transformation process in their areas of influence. These individuals will need to understand the theory and practice of organisational change, and approaches to facilitate change. They should also have the ability to create and maintain an organisational culture that encourages change and innovation. Ideally, the champions will have in-depth PFM knowledge and skills.

5.2 Management and leadership capability
Successful public sector transformation can only be achieved through effective leadership and management of people, change and organisational development. For change in PFM to be sustainable, there has to be a shift in culture, where individuals/teams/groups are able to be highly productive (Wood et al. 2010). Leaders and managers must transition their teams/groups/organisations to a future state of high performance, where continuous improvement, innovation and learning are the norm. This will be achieved by empowering management to leverage the performance of individuals, teams and the organisation.

5.3 Team/group level transformation
Not all departments and municipalities are ready for organisation-wide transformation. Organisational transformation can begin with individuals, teams or groups resulting in “small wins” that can be replicated elsewhere. A flexible and context-specific approach is required for successful organisational transformation. Building highly productive teams will improve organisational performance.

A national effort is needed to lead changes that will enhance team/group performance. This requires effective leadership and management, as well as champions of change. Groups and teams are the building blocks within an organisation and have the potential to create synergy, and foster innovation and creativity (Wood et al. 2010). Groups and teams also provide an excellent platform for informal learning, which is sorely required within departments. Self-directing teams would propel transformation within the organisation.

5.4 Professionalisation
Professionalisation is a lifelong learning process that develops the competence, knowledge, understanding, attitudes, behaviours, and ethical standards or a person working in a field or discipline. Professionalisation promotes educational qualifications, workplace experience and continuous professional development. It also allows for the adoption of prescribed standards, values, ethics and behaviours. Professionalisation provides access to a broader social network resulting in knowledge sharing, good practice, research and development opportunities. Fast-tracking Professionalisation of senior PFM management is a necessary first step to professionalise the public sector as a whole. The programme will develop PFM management professionals who can lead knowledge production, innovation, research and good practice in a formal environment. Professionalising senior management will run alongside other processes to professionalise all government PFM officials.

5.5 Diagnosis
In the field of medicine, diagnostics is the science of identifying illnesses or disorders. Making the correct diagnosis of a curable condition allows the patient to get well. Similarly, accurate diagnostics within organisations enable management to do the right things at the right time. The analysis of PFM capacity development challenges must identify root causes. A systemic
diagnostic that examines the challenges related to PFM capacity development will allow management to implement successful organisational development solutions that are informed, strategic and sustainable. The diagnostic results will also provide a baseline to monitor and evaluate progress.

5.6 Knowledge and information management

Knowledge and information systems create opportunities for knowledge dissemination and information sharing across government. Knowledge and information management focuses on improving an organisation’s ability to capture, share and diffuse knowledge and information that will enhance business performance (Wood et al. 2010).

Leveraging the application of financial management knowledge and information will significantly enhance departmental performance and ultimately improve service delivery. A national knowledge and information management system will provide a centralised repository of all PFM-related knowledge and information, and a platform for networking, collaboration and learning.

5.7 Achieving complementary results

Implementing all six of the focus areas in unison will achieve greater success because they are interrelated and can create complementary results. The organisational context will determine the sequence and extent to which the focus areas will be adopted and implemented. M&E will be applied to the focus areas to assess their value and impact.

*Figure 8: Strategic focus areas*

Figure 9 provides an overview of the capacity development strategy. It sets out a comprehensive, integrated approach, supported by the capacity development pillars, key activities and strategic focus areas, while taking account of the broader environment.
Figure 9: Overview of the capacity development strategy

Source: National Treasury
6. Monitoring and evaluation

The capacity development strategy is designed to achieve large-scale change within the public sector and is, by implication, an organisational development intervention. M&E measures the performance and impact of implementation.

In short, M&E can help determine what works and what does not work. Lack of proper M&E of capacity development has resulted in a production of initiatives of uneven quality. Given this state of affairs, it is doubtful that government is getting value for money, which underlines the importance of M&E.

Monitoring measures the strategy’s implementation progress, and evaluation measures the resultant impact, effectiveness and benefits.

6.1 Application

M&E will be applied at an operational and strategic level, ensuring that progress on actions, key activities and the achievement of the strategic objectives are continuously assessed. To do so effectively, M&E must be applied in real-time, acting as an early warning system and triggering immediate corrective action.

Monitoring of progress will primarily be applied to the actions and key activities detailed in the implementation plan (Annexure 1). Evaluation will review progress on the key performance indicators linked to the strategic objectives. These performance indicators will serve as benchmarks of progress. In addition, they form part of the baseline study (reflecting the status quo) and subsequent comparative studies (reflecting the changes).

Table 3 provides an overview of the key performance indicators. As the framework is developed, target dates will be established for each indicator.
### Table 3: Mapping the strategic objectives and key performance indicators

<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>Key performance indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support the development of an enabling environment</td>
<td></td>
</tr>
</tbody>
</table>
- NT customer satisfaction survey score  
- Provincial treasury customer satisfaction survey score  
- DPSA customer satisfaction survey score  
- Increase number of PFM registered professionals  
- Central knowledge and information system implemented  
- Standardise and regulate job specifications  
- Develop an integrated learning matrix  
- Provide training avenues for the competency regulations framework  
- Provide the Dora Financial Management Grant Framework  
- Institutionalise the competency regulations framework for municipalities  
- Improve FMCM results by one level  
- Improve in-year reporting by municipalities  
- Improve budgeting process to include provision for training in municipalities  
- Support the municipalities development of credible work skills plans to secure the skills grants from the LGSETA  
- Auditor-General results  
- Spending of departmental training budgets on PFM-related HR development to increase  
- Vacancy rates to be reduced by 10%  
- Staff turnover to be reduced to 24 months  
- Departmental structures aligned to strategy and budget  
- NT satisfaction survey score  
- Provincial treasury satisfaction survey score  
- HR systems skills gaps  
- Improvement in the in-year reporting requirements  
- Reduce skills gaps identified on HR systems  
- Increase number of qualified staff in PFM  
- Increase number of PFM registered professionals  
- Percentage of PFM senior management who complete transformational change leadership and management programme annually (starting in 2012)  
- Percentage of PFM junior and middle management who complete the transformational change leadership and management programme annually (starting in 2012)  
- 25% of staff in designated categories have undergone compulsory training |
| Enhance organisational capacity |  
- Reduce skills gaps identified on HR systems  
- Increase number of qualified staff in PFM  
- Increase number of PFM registered professionals  
- Percentage of PFM senior management who complete transformational change leadership and management programme annually (starting in 2012)  
- Percentage of PFM junior and middle management who complete the transformational change leadership and management programme annually (starting in 2012)  
- 25% of staff in designated categories have undergone compulsory training |
| Develop and empower a corps of competent and committed high-performance employees |  
- Reduce skills gaps identified on HR systems  
- Increase number of qualified staff in PFM  
- Increase number of PFM registered professionals  
- Percentage of PFM senior management who complete transformational change leadership and management programme annually (starting in 2012)  
- Percentage of PFM junior and middle management who complete the transformational change leadership and management programme annually (starting in 2012)  
- 25% of staff in designated categories have undergone compulsory training |
<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>Key performance indicator</th>
</tr>
</thead>
</table>
| Create an environment that enables and sustains mutually beneficial stakeholder relationships | - Increase participation in the mandatory induction programme under the MFMA  
- NT stakeholder satisfaction survey score  
- Increased stakeholder participation  
- Broad-based participation in the delivery of ETD solutions |
The above mapping illustrates the relationship between the strategic objectives and key performance indicators. These are dynamic relationships; progress or lack thereof in each area affects the others. For example, the development of individual staff may result in qualified staff, improved staff retention, job satisfaction and performance, reflected in reduced staff turnover rates and improved organisational performance.

6.2 Maintenance of the M&E framework
Additional information that becomes available through baseline studies will be incorporated into the M&E framework. Results from the baseline studies will be linked to the strategic objectives and key activities, providing more substantial information to measure progress. The relevance and completeness of the M&E framework will be reviewed periodically to ensure that valid and reliable information is acquired to accurately assess progress.

6.3 Reporting M&E results
M&E results will form an integral part of progress reports and will contribute to the strategy review. Reporting mechanisms and structures are discussed in the governance section of this report.

The strategy, particularly the implementation plan and key performance indicators, has been aligned to relevant outputs and key performance indicators in Outcomes 9 and 12, which will support effective and integrated reporting.

7. Governance and reporting arrangements
The breadth of this strategy necessitates oversight and governance at both organisational and institutional levels. Government’s existing governance and oversight structures will track the strategy’s implementation, supplemented by the work of several committees overseeing aspects of the strategy that fall within their mandates. The proposed mechanisms and structures to support these processes, and ensure transparency and accountability, are discussed below.

7.1 Management, governance, oversight and reporting
The strategy will be implemented by the National Treasury through the facilitation and support of Chief Directorate, Capacity Building in the Office of the Accountant-General. Normal management controls will ensure that the strategy is implemented successfully, focusing on the actions in the implementation plan and the strategic objectives. Existing accountability systems will apply. Strategy deliverables are stated in the National Treasury’s strategic plan for 2011/12 and following years and quarterly and annual progress reports will be prepared.

Over and above the National Treasury’s own governance processes, several committees will oversee the strategy’s implementation and revision. The PFM strategy intersects with the mandates of several national departments. As a result, several committees have been established to ensure seamless collaboration across government.

- A National Treasury committee oversees matters related to PFM technical and support issues. The committee will oversee and govern the implementation and revision of the strategy.
- The National Treasury and DPSA have formed a committee to oversee and govern HR management, development and planning as they relate to the strategy. The committee will monitor progress on agreed milestones and coordinate activities to achieve the greatest synergy.
The National Treasury and NATIONAL SCHOOL OF GOVERNMENT have formed a committee to oversee and govern education, training and development-related matters.

**Figure 10: Governance**

![Governance Diagram]

These committees are responsible for ensuring that adequate progress is made with implementation. Their oversight and governance will be based on the progress reports submitted by government departments and other partners. The committees will also work to enhance cooperation and coordination among delivery partners.

The strategy links with Presidential Outcomes 9 and 12. As a result, the National Treasury will report to Cabinet on the implementation of the strategy through the reporting mechanisms established by the Department of Performance Monitoring and Evaluation.

The M&E framework described in Section 6 forms the basis for reporting to the various governance and oversight bodies. Progress will be reported per activity and output to inform operational management and strengthen accountability. Annual reviews of the strategy will benefit from benchmarking with similar programmes in developing and developed countries.

### 7.2 Risks associated with implementation

In preparing the strategy, risks that would undermine its implementation were given careful consideration. Although consideration was given to the top five risks faced by the CDS in May 2012, a revised Risk Management process needs to be completed in 2014. This will be included in the Implementation Plans.

### 7.3 Conclusion

Good financial management is a prerequisite for an efficient and effective public service. A PFM system that performs well can help South Africa to improve governance, combat corruption, enhance the quality of service delivery, obtain greater value for money in public spending and reduce poverty.

An array of complex challenges underpins the present lack of PFM capacity. This strategy provides a comprehensive, phased approach to strengthen PFM capacity across the public service. It recognises that there is no silver bullet: PFM capacity can only be strengthened by addressing issues in the institutional, organisational, individual and stakeholder dimensions, as well as in the broader environment.

Achieving the vision of this strategy will go hand in hand with transforming the public service, and bringing about a South Africa that truly belongs to all who live in it.
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National Treasury 2010, Research into the reasons for staff vacancies, turnover and movement in financial management, internal audit, risk management and supply chain management and to develop an appropriate strategy to address the shortcomings, 16 July 2010.


<table>
<thead>
<tr>
<th>Glossary</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Career path</td>
<td>A collection of basic job families, career progression possibilities, and related requirements that enable career progression</td>
</tr>
<tr>
<td>Champions of change</td>
<td>Groups or individuals who adopt the strategy and lead the change</td>
</tr>
<tr>
<td>Change competency</td>
<td>An awareness and knowledge of change and the ability to lead and embrace change as a norm rather than an exception</td>
</tr>
<tr>
<td>Chief Directorate: Capacity Building</td>
<td>A unit in the Office of the Accountant-General, National Treasury, tasked with function of developing financial management capacity in the public service</td>
</tr>
<tr>
<td>Effective</td>
<td>Achieving set objectives or goals</td>
</tr>
<tr>
<td>Efficient</td>
<td>Applying available resources economically to achieve the goals</td>
</tr>
<tr>
<td>Financial management capability maturity model</td>
<td>Assessment tool to determine the state of financial management maturity in a department</td>
</tr>
<tr>
<td>HR Development Strategy for South Africa 2010-2030</td>
<td>A document that seeks to address HR constraints in South Africa.</td>
</tr>
<tr>
<td>HR Systems</td>
<td>An information system and process for assessing skills gaps</td>
</tr>
<tr>
<td>Integrated learning matrix</td>
<td>A matrix of accredited and non-accredited education and training programmes available for PFM-related discipline</td>
</tr>
<tr>
<td>International Financial Reporting Standards (IFRS)</td>
<td>Principles-based standards, interpretations and a framework adopted by the International Accounting Standards Board</td>
</tr>
<tr>
<td>International Public Sector Accounting Standards</td>
<td>Standards issued by the International Public Sector Accounting Standards Board for use by public sector entities around the world in the preparation of financial statements, based on IFRS</td>
</tr>
<tr>
<td>Knowledge management</td>
<td>An organisational competency that results in improved effectiveness through harnessing and sharing information, knowledge and good practice, and building institutional memory</td>
</tr>
<tr>
<td>Learning culture</td>
<td>An environment where learning is encouraged, incentivised, accessible and embraced by the entire organisation</td>
</tr>
<tr>
<td>Learning networks</td>
<td>Groups of individuals who learn together, including communities of practice and communities of expert practitioners</td>
</tr>
<tr>
<td>National Qualifications Framework</td>
<td>A comprehensive system approved by the Minister of Higher Education for the classification, registration, publication and articulation of quality-assured national qualifications</td>
</tr>
<tr>
<td>On-boarding programmes</td>
<td>A comprehensive initiation process for new employees</td>
</tr>
<tr>
<td>Occupational profile</td>
<td>A summary of the tasks, knowledge, skills, experience, qualifications and other information needed to do a job</td>
</tr>
<tr>
<td>Quality Council For Trades and Occupations</td>
<td>A quality council responsible for the development, registration and publication of occupational qualifications in South Africa</td>
</tr>
<tr>
<td>Skills programme</td>
<td>Unaccredited training providing practical interventions to bridge the gap between formal learning and workplace skills</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>A person or group with a direct interest, involvement, or...</td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Transversal systems</td>
<td>Systems that are applicable across government departments</td>
</tr>
<tr>
<td>Talent management</td>
<td>Identification, attraction, selection, recruitment, development and retention of talent</td>
</tr>
<tr>
<td>Umalusi</td>
<td>A quality council responsible for general and further education and training</td>
</tr>
</tbody>
</table>