



25 February 2026

PFMA Compliance and Consequence Management



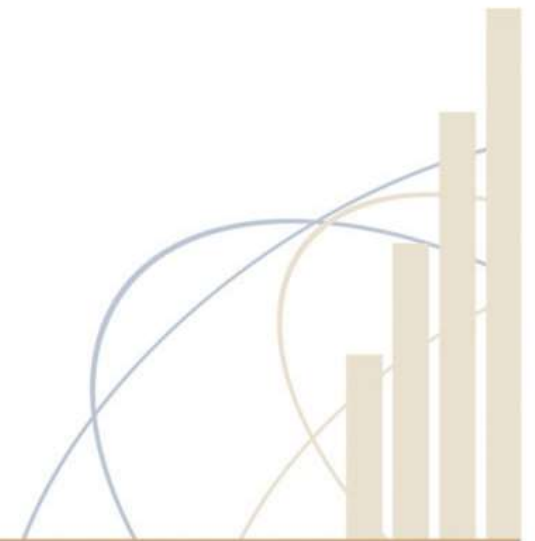
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SAQA Recognised Professional Body

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PFMA Compliance Overview

Purpose and Scope

PFMA promotes sound financial governance by ensuring transparency, accountability, and efficient resource use in the public sector.

Accountability Framework

Accounting Officers and Authorities **MUST** maintain financial and **risk management** systems and comply with laws and regulations. S 38(1)(c)(ii) and 51(1)(b)(ii)

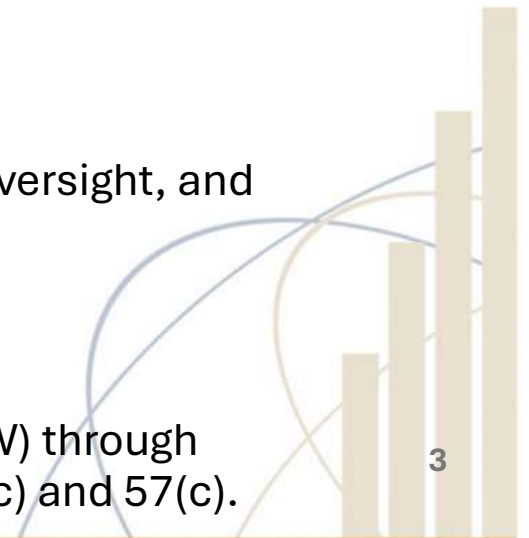
The PFMA places a direct obligation on Accounting Officers (AOs), Accounting Authorities (AAs), and officials to **prevent unauthorised, irregular, fruitless and wasteful expenditure (UIFW)** and to ensure effective financial management.

Strategic Compliance Benefits

PFMA compliance enables good governance, public trust, improved oversight, and operational efficiency in government departments and entities.

Preventative and Collaborative Approach

PFMA encourages preventive measures against non-compliance (UIFW) through collaboration among management, audit, and oversight bodies. S 45(c) and 57(c).



KEY PFMA COMPLIANCE REQUIREMENTS

The PFMA and Treasury Instruction notes outline specific duties:

- **Preventing unauthorised, irregular, and fruitless & wasteful expenditure (UIFW)**

Sections 38(1)(c)(ii) and 51(1)(b)(ii) require effective systems to prevent UIFW.

Timely payment of suppliers

AOs must settle all invoices within **30 days** of receipt. Treasury Regulation 8.2.3 and PFMA s38(1)(f).

- **Effective Supply Chain Management (SCM)**

Institutions must ensure procurement is fair, equitable, transparent, competitive, and cost-effective.

- **Accurate reporting of UIFW**

Quarterly and annual reporting is mandatory using UIFW registers (Appendix A–C).

- **Investigation and determination**

AOs and AAs must assess, determine, and investigate UIFW within prescribed timelines (30 days for assessments; **3–4 months** if disputes arise).

Invitation of IM

Consequence Management Duties and Enforcement Measures

The PFMA and Treasury Instruction require:

- **Assessment, Determination & Investigation**

- ✓ UIFW **must** be assessed within **30 days**.
- ✓ Determination must follow immediately to identify responsible officials, root causes, and losses.
- ✓ Investigations commence within 30 days after determination.

- **Disciplinary Action**

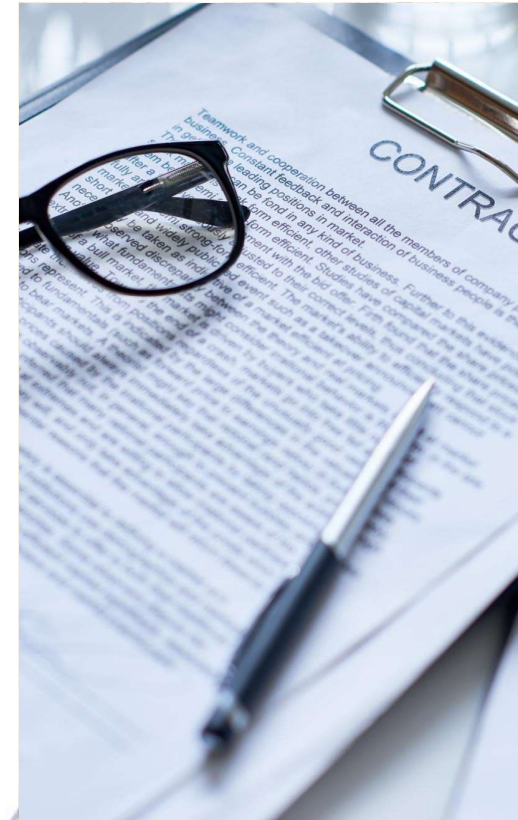
If an employee is responsible for UIFW, AO/AA **must** refer to HR for disciplinary processes.

- **Criminal proceedings**

If fraud/corruption is confirmed, charges **must** be laid with SAPS within **7** days.

Recovery of Losses

- Losses arising from UIFW **must** be recovered from responsible officials.



Effective Consequence Management

Effective Detection and Assessment

The department promptly identified irregular expenditure and conducted thorough assessments, confirming that no financial loss occurred.

Strong Consequence Management

Disciplinary action was taken against responsible officials, reinforcing accountability and ethical leadership within the institution.

Governance and Control Strengthening

Internal controls were enhanced, and a condonation request was submitted to the relevant treasury to support compliance and performance improvement.

Building Public Trust

Ethical governance and consequence management foster public trust and contribute to high-performing, credible institutions.



No Consequence

Irregular Expenditure Issues

Unauthorised contract expansions led to repeated irregular expenditures without investigations or disciplinary actions.

Consequences of Poor Oversight

Lack of accountability caused persistent audit findings, service delays, and damaged institutional reputation.

Need for Consequence Management

Effective consequence management is essential to restore financial discipline and improve institutional outcomes.

A clean audit is gone in this case.

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How does PFMA Compliance Improve Service Delivery

Efficient Resource Allocation

PFMA compliance enables efficient allocation of resources, ensuring essential public services run smoothly without disruption.

Timely Supplier Payments

Timely payments to suppliers maintain service continuity in water, healthcare, infrastructure, and education sectors.

Reduced Financial Irregularities

Accurate UIFW registers and consequence management reduce financial irregularities, improving audit outcomes and funding access.

Impact on Service Quality

Financial discipline promotes operational excellence, enhancing quality and equity of public service delivery.



Consequences of non-compliance

A department fails to pay contractors for water infrastructure within 30 days:

- Contractors withdraw
- Delays cause water disruptions
- Emergency procurement at a higher cost, resulting in irregular expenditure
- AGSA flags material non-compliance
- Community protests escalate

That's how PFMA non-compliance directly harms service delivery.

What happened with scholars transport?

Eskom debt?



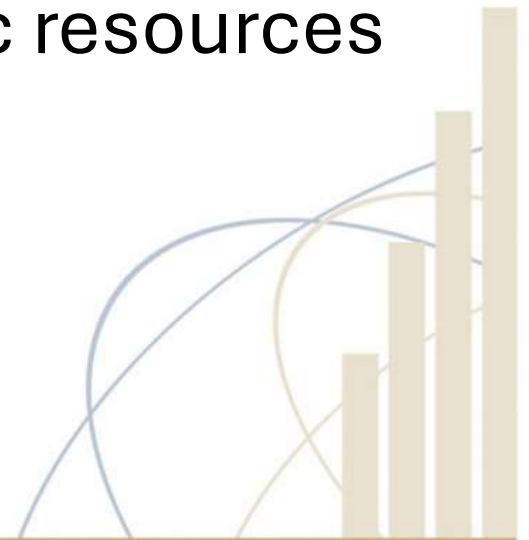
Possible considerations by departments

- Strengthen internal controls & real-time monitoring.
- Enforce SCM compliance rigorously(check list)
- Maintain updated UIFW registers (Appendix A–C).
- Build capacity in budgeting, SCM, and loss control.
- Enforce consequence management consistently.
- Integrate ethics and accountability culture.
- Improve collaboration with Provincial/National Treasury.



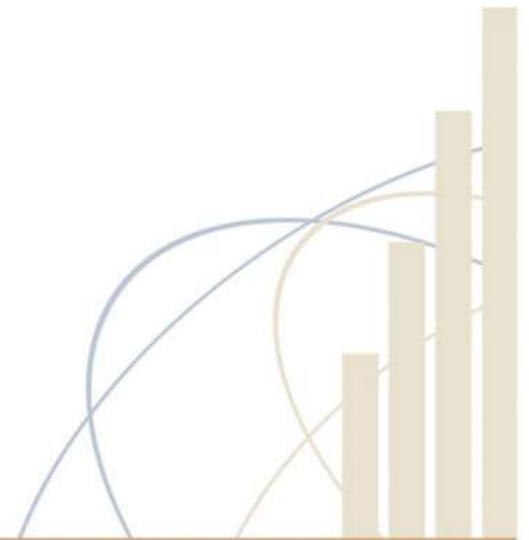
CONCLUSION

- PFMA compliance is **NOT** optional
- It is a legal and ethical obligation.
- Effective consequence management reinforces accountability and ensures that public resources reach intended beneficiaries.



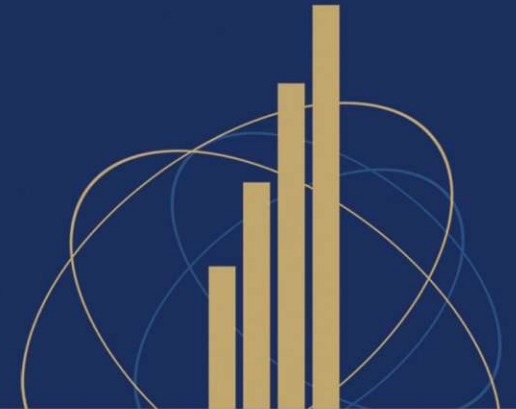
SOURCE AND REFERENCE

- PFMA
- Treasury regulations
- National Treasury Instruction No. 4 of 2022/2023
- PFMA compliance and reporting framework.
- GPG departments and trading Entities published audit outcomes.





Thank You!



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