

New Public Financial Management Act comes into Force

On 1st January this year the new Public Finance Management Act 2013 came into force. The Act is the result of government's commitment to improve the policy and legal framework for managing public finances. It entailed extensive consultations between government and key (internal and external) stakeholders and replaces the Public Finance and Audit Act 1978. The new Act is aimed at promoting better financial management through greater transparency and accountability and improved fiscal reporting and monitoring. Some of the major differences between the Acts are.

	1978 Act	2013 Act
Accountable Officer	Can be any officer	Accountable Officer is Permanent Secretary or Acting Permanent Secretary or person in charge of an organisation. They are now responsible for all expenditure and revenue collection by the Ministry
Budget Preparation	Vague and open ended	Set time lines, format for budget preparation and policy frameworks
Special Funds	Need approval of Cabinet only.	Annual Estimates need to be tabled in Parliament and officially published.
Debt Management	No mention of debt limit	Debt Limit set with Annual Appropriation. Only the Minister has power to borrow money but must seek advice from a debt management advisory committee
Budget Tracking and Reporting	Yearly statement of financial position required	Monthly statements of financial position required as well as the yearly statement
Internal Audit	No internal Audit - Irregularities investigated by Auditor General	Establishment of an internal audit office

Much of the detail of the Act is left to subordinate legislation and development of regulations. This is a major task and will be an area of Ministry of Finance and Treasury focus in the following months. Pending this development the Interim Financial Instructions, which capture all the changes resulting from Financial Circulars since 2010, will operate as the subordinate legislation.

Above are:

1. The new PFM Act and explanatory notes.
2. Power point presentation relating the PFM Act.
3. Interim Financial Instructions
4. Financial Circular No 08/2013 dated 16 December 2013 which deals with the introduction of the Interim Financial Instructions which support the PFM Act.